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Austria	Sch30	Iran	Rls210	Pakistan	Rs35
Bahrain	Din0.900	Israel	Shk4.00	Philippines	Pso40
Belgium	BFr60	Italy	L2200	Poland	Zl 11,000
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Egypt	E£3.50	Kuwait	Fils.500	S.Arabia	SR8.00
Finland	FM8.50	Lebanon	L£1,000	Singapore	S$4.10
France	FFr7.50	Lux	LFr60	Spain	Pta175
Germany	DM3.60	Malaysia	M$4.25	Sweden	SKr13
Greece	Dr200	Morocco	MDh10	Switz	SFr2.70
Hungary	Ft120	Neth	Fl 3.50	Thailand	Bht50
Iceland	IKr180	Nigeria	Naira15	Tunisia	Din0.900
India	Rs20	Norway	NKr12.00	Turkey	L3000
Indonesia	Rp3100	Oman	OR1.20	UAE	Dh8.00

SOUTH KOREA

Red ink stain on a country's pride

Page 6

Security questions raised after London bomb blasts

By Richard Donkin and Jimmy Burns in London

BRITISH POLICE *were last* night under pressure from MPs to explain their failure to evacuate London's Victoria mainline railway station which was hit by a fatal bomb blast yesterday, 46 minutes after a telephoned warning and only hours after an explosion had damaged another station in the capital.

The morning rush-hour blast at Victoria, which serves southern England and Gatwick Airport, killed one man and injured 32. The blast occurred *as commuters surged through* the station unaware of a bomb warning. The first bomb, which blasted Paddington station earlier caused extensive damage but no injuries. The incidents brought rail transport in the capital to a halt.

The disruption, made worse by hoax calls which led to the closure of all four terminals at *Heathrow Airport, affected* nearly 500,000 people and left many commuters unable to get to work.

The attacks, believed to be *the work of the IRA, came just* 12 days after the organisation launched a mortar attack on Prime Minister John Major's 10 Downing Street residence. In that attack one bomb landed in the garden of Number 10, about 40 feet from a room where the war cabinet was in session.

By last night the IRA had *yet to issue any statement* about the station attacks. However, Commander George Churchill-Coleman, head of Scotland Yard's anti-terrorist *branch said that he was in lit*tle doubt that the IRA was responsible and ruled out Gulf related terrorism.

The father of a 16-month old baby died in the Victoria blast. Eight of those injured were said to be in a serious condition. Cmdr Churchill-Coleman, said that a general bomb warning had been delivered to the London Transport Travel Centre at about 7am. The caller, a man with an Irish accent said: "We are the Irish Republican Army. Bombs to go off in all *main line stations in 45 min*utes."

Cmdr Churchill-Coleman said:

"The vagueness of the information, the manner in which it was passed, coupled with the time lapse involved was quite deliberate. The perpetrators knew very well that there was insufficient time for the emergency services to locate and deal with the device."

Mr John Patten, the junior Home Office Minister, had earlier refused to make a state*ment on the incident in the* House of Commons, arguing that he was denying terrorists the oxygen of publicity.

Opposition Labour transport spokesman John Prescott released the text of letter written to Mr Malcom Rifkind, transport secretary, questioning the level of security at mainline railway stations.

Additional reporting by Andrew Jack, Neil Buckley and Emma Tucker

Details and analysis, Page 7; Editorial comment, Page 16

Soviets set deadline for Saddam

By John Lloyd in Moscow, Peter Riddell in Washington, Victor Mallet in Riyadh and Robert Graham in London

PRESIDENT Saddam Hussein of Iraq was last night under intense pressure to accept a Soviet-sponsored withdrawal plan to avoid an imminent allied ground offensive.

The Iraqi leader is believed to have up to 36 hours to reply to the proposal for an unconditional withdrawal from Kuwait, brokered by President Mikhail Gorbachev when he met Mr Tariq Aziz, Iraq's foreign minister, yesterday in Moscow.

The US yesterday played down an early diplomatic breakthrough and insisted that only an *immediate start to a* major, rapid and unconditional Iraqi pull-out from Kuwait would prevent the beginning of a full-scale ground offensive. The White House said it had not yet received sufficient information from the Soviet Union to comment on the meeting between President Gorbachev and Mr Aziz.

The approach of an allied ground battle was emphasised by increased skirmishing along the Kuwaiti-Saudi border and the approach of allied warships and amphibious craft closer to the Kuwaiti coast. British ground forces were in action for the first time, bombarding Iraqi tanks and guns across the *Saudi border with artillery and* multiple rocket launchers.

Brigadier Rob McAfee, a British spokesman, said the attack, which was part of a wider series of allied engagements, destroyed three tanks and three artillery pieces. "The raid was a modest but successful start by the Royal Artillery," he said.

Details of the Soviet proposal were not revealed but described as a "specific plan of action" to end the Gulf war "by political means". Mr Vitaly *Ignatenko, the Soviet spokes*man, said: "It was, we believe, accepted with interest and understanding by the Iraqi side."

Mr Ignatenko said Mr Aziz had described the conditions

President Gorbachev and foreign minister Alexander Bessmertynkh, face Iraq's Tariq Aziz in Moscow yesterday

put in the Iraqi withdrawal *offer last Friday, which never* mentioned Kuwait by name, as "not conditions but a programme". The conditions included the ending of the United Nations economic blockade of Iraq, withdrawal of Israel from the West Bank and other territories, the rebuilding of Iraq by the allied countries and the waiving of all Iraqi debts and the abrogation of all UN resolutions on the Gulf.

Yesterday in Moscow the Iraqis reportedly were ready to accept that these could be *treated merely as a framework* for negotiations on a post-war settlement. But the extent to which Mr Gorbachev had built on this framework or offered a separate proposal was unclear.

Before Mr Aziz arrived, the Soviets had warned they would *contemplate nothing less than* full Iraqi compliance with United Nations resolutions to withdraw from Kuwait. But Mr Gorbachev is under domestic pressure for a foreign policy success and needs to placate hardliners who see Moscow having surrendered too much to the US in the Middle East as their former client, Iraq, is humiliated.

Mr Aziz flew to Iran after more than three hours in the Kremlin and then went by road to Baghdad. He is then expec*ted to make the same journey* back to Moscow tomorrow with President Saddam's reply. However, the Iraqi leadership is still expected to play for time to prepare the country for the implications of withdrawal from Kuwait which Iraq has *claimed since August has been* incorporated as the country's 19th province.

Emphasising US determination to maintain pressure on Baghdad, Mr Marlin Fitzwater, the White House spokesman, said yesterday: "All of our hopes at this point are on the conflict in the air and on the ground in terms of pushing Iraq out of Kuwait." He added that the US and its allies had "always anticipated a ground war and we are fast approaching it."

While US officials insist they will stick to their campaign plan, any ground offensive is unlikely to be launched until Baghdad indicates its unwillingness to withdraw unconditionally from Kuwait. This view was repeated yesterday by Mr Douglas Hurd, the British foreign secretary. But there were signs in Brussels that the unity of the EC was liable to be tested by the Moscow initiative.

President Bush and his advisers are confident that the US and the allies are defeating Iraq militarily and they are reluctant to surrender that advantage for an ambiguous political outcome. In a divergence of aim with the Soviet Union, the US wants to destroy much of President Saddam Hussein's military capacity, and preferably remove him from power.

Continued on Page 18
Gulf reports, Page 2; Foreign Affairs, Page 17

Pavlov gives details of planned price rises

By Quentin Peel in Moscow

MR VALENTIN Pavlov, the Soviet prime minister, yesterday announced details of huge retail price rises planned by the government and then admitted that no agreement had been reached with the rebellious Soviet republics on how to implement them.

The government plan would put up prices by an average of *60 per cent throughout* the Soviet economy, and then compensate for 85 per cent of the rise with extra money in pay packets, pensions, child allowances and student grants, Mr Pavlov said.

However, the central government has failed to agree with the 15 republics on who will decide on the compensation and how much it should be, he told the Supreme Soviet in Moscow.

Mr Pavlov also gave no figures on how much the compensation would cost the state budget or the republics, all of which are already running big deficits.

The stalemate amounts to a *fresh* embarrassment for the Soviet authorities, anxious to press ahead with the long-feared price reform as soon as possible. A rush of panic buying of what few goods are left in the shops is likely.

Senior Soviet banking officials say it will be impossible to implement the reform before March because there is not enough cash available in banknotes to pay out the compensation. That is a bitter irony given last month's money reform, which took all *Rbs50 and Rbs100 notes out of* circulation in an attempt to reduce the country's big money overhang.

Continued on Page 18
Guns out again in Georgia, Page 4

World News

Soviet troops storm base for Georgian nationalists

Soviet forces backed by tanks and *armoured* vehicles stormed a training base used by an illegal, *paramilitary nationalist* group, the Mkhedrioni, or Knights of Georgia.

Djaba Iosseliani, the group's leader, later angrily denounced the republic's *nationalist* president, who he charged was behind the attack. Guns come out again, Page 4

Eritrean peace hope

Peace talks aimed at ending the Eritrean conflict, black Africa's longest-running civil war, open in Washington today amid signs that a consensus may be emerging. Page 18

Argentine leak

The rebel leader of an Argentine army faction attempted to embarrass President Carlos Menem's government by leaking details of private meetings with top government officials. Page 3

Swedish 'green plan'

Sweden's ruling Social Democrats published an environmental programme ambitiously aimed at solving all the country's industrial pollution problems by 2010. Page 4

N-plant safety boost

Japan is to tighten safety and testing procedures at the country's nuclear plants following last week's accident at the Mihama power station. Page 6

Ershad trial put off

The Bangladeshi Supreme Court postponed by two weeks the trial of deposed President Hussain Muhammad Ershad for allegedly possessing unauthorized arms.

Indian rebels defiant

The outlawed United Liberation Front of Assam has stepped up violent attacks in the last few weeks despite a *massive army operation* against them in November. Page 6

Police ring campus

Albanian police surrounded Enver Hoxha university in Tirana as students began a hunger strike to demand that communist authorities change the university's name.

Tamils kill 44

Tamil guerrillas killed 44 soldiers in the worst single attack on Sri Lankan troops since *rebel separatists began their* fight in 1963. Page 6

Cape Verde result

The leftist PAICV party, rulers of Cape Verde for the past 15 years, lost its last foothold in power when President Aristides Pereira was trounced in presidential elections.

Queensland soaked

More than half the Australian state of Queensland was declared a flood disaster area after days of torrential rain.

Kenya park blaze

Hundreds of zebras fled from a fire which swept across the dry grassy plains of Nairobi *game park. Wildlife officials* said no animals were hurt.

Gambia frees 35

Gambian president Dawda Jawara, marking his west African country's independence day, granted amnesties to 35 people jailed after a foiled coup attempt in 1981.

Unity talks called off

North Korea called off high-level talks with South Korea, accusing Seoul of undermining dialogue by holding military exercises with the US. Red ink, Page 6

Bourse bomb alert

The French stock exchange was evacuated and trade in financial and commodities futures and in options halted for 80 minutes because of a bomb alert.

Business Summary

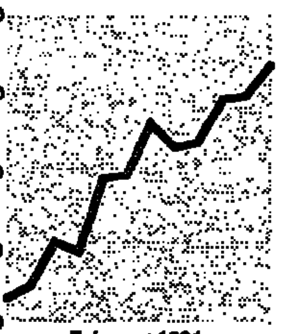
Japanese money supply growth slows sharply

Japan's money supply growth slowed significantly in January, confirming the success of the Bank of Japan's tight money policy and heightening expectations of an interest-rate cut. Page 18

BRAZIL has agreed a two-month $3bn bridging loan to state-owned banks in the country's four biggest states, to rescue them from possible liquida*tion. Page 18*

MARKETS London: demand from continental fund managers helped to drive the FT-SE 100 through the 2,300 mark *for the first time since August.* It closed 21.4 ahead at 2,318.3 on good volume. Page 29

FT-SE 100 Index



Tokyo: Nikkei average closed 886.27 better at 26,230.01 - a six-month high. Paris remained *optimistic* as the bond futures market continued to strengthen; the CAC 40 index ended 24.57 up at 1,694.96. **Frankfurt:** the DAX index finished 41,38 higher at 1,572.57. **Wall Street** was closed for a public holiday. Back Page, Section II

TNT, Australian-based trans*port group, blamed Gulf war* and recession in important markets for a 31.5 per cent fall in interim net profit to A$49.4m ($39m). Page 19

REPSOL, *Spanish* energy conglomerate 68 per cent owned by the state, reported net profits of Pta67.7bn ($735m) for last year, a 5.1 per cent increase *over 1989.* Page 19

ALLIED, South African building society subject to takeover bids, warned shareholders to be cautious in selling their shares. Page 22

TURRIFF Corporation, UK construction and plant hire group, saw shares fall by almost a quarter after announcing it made a loss last year and would not be paying a final dividend. Page 19

ISOLA WERKE, German electronics company, is to give negotiating rights to the AEU engineering union at its Scottish plant. Page 8

NEW ZEALAND wool exporters are *fighting* to freeze the sale of the country's 650,000-bale wool stockpile. Commodities, Page 28

JAPAN and the US began a new *round of semiconductor* trade negotiations in Washington with both sides taking a firm line. Page 5

NEDLLOYD, Dutch transport and energy group, *reacted to* pressure by Mr Torstein Hagen, Norwegian businessman, for the company to divest non-core activities. Page 19

GATT'S director general, Arthur Dunkel, plans to restart tomorrow the Uruguay Round of international trade talks which broke down in Brussels in December. Page 5

NMB POSTBANK, Netherlands' third-largest bank, defended plans to merge with Nationale-Nederlanden, country's leading insurer. Page 20

BELGIUM added its name to the list of sovereign governments borrowing in European currency units in the interna*tional bond market, issuing* Ecu1.25bn ($1.76bn) five-year paper. International Capital Markets, Page 24

German plan to widen powers of MEPs upsets EC partners

By David Buchan in Brussels

GERMANY is proposing legislative powers for the European parliament that go far beyond what most of *Bonn's* EC partners are ready to accept.

To the considerable disquiet of Britain, France and some *smaller* EC states, Germany has proposed that the 518 members of the European parliament should have some right to initiate legislation, as their national counterparts do, as well as greater influence over the final shape of EC laws.

The German plan, put forward in the negotiations on EC political union, goes further *than* Italian and Belgian schemes to boost MEPs' powers. It proposes that the Commission share with the Strasbourg assembly its current monopoly power to initiate laws.

Bonn's idea is that the parliament could ask the Commission to come up with a proposal on a given issue and, if *Brussels failed to act within* six months, adopt its own draft proposal.

The parliament would also get first bite at Commission proposals, leaving the Council of Ministers to work on texts already changed by parliamentary amendments. These would not be screened by the Commission, as happens at present.

Bonn has repeatedly said it will not agree to the disappearance of the D-Mark in a monetary union unless EC decision-making is put under proper democratic control.

At the same time, it wants a *European central* bank *to* be as politically independent as the Bundesbank. By contrast, the UK and French governments believe that democratic legitimacy should be sought by giving national parliaments maxi*mum scrutiny and say over* Euro-laws.

Belgium and the Netherlands apart, smaller states are less interested in more power for Strasbourg because they field fewer MEPs.

Germany's enthusiasm for the parliament may stem from the fact that numerically it now deserves more MEPs than any other country.

At present, it has the same 81 MEPs and 10 votes in the Council of Ministers as Britain, France and Italy each has, even though unification has pushed its population nearly 50 per cent above each of theirs.

Britain's main focus – outside foreign policy – in the political union negotiation is on improving financial accountability, and this week it will table treaty texts which would require governments to take action against EC budget fraud, and the Commission to certify that its proposals did not breach overall EC budget guidelines.

Senior officials in Bonn appear to be shifting towards the view that Germany should become a permanent member of the United Nations Security Council alongside the US, the Soviet Union, China, France and *Britain*.

When this idea was first floated by Moscow last year it was received with scepticism in Bonn. Page 4

CONTENTS

Dunkel intends to restart the Uruguay Round tomorrow

Arthur Dunkel, director *general of Gatt, plans* to restart tomorrow the Uruguay Round which broke down in December. The *resumption* could be favoured by a general reluctance to abandon liberalisation.
Page 5

MARKETS

STERLING
London:
$1.96 (1.97)
DM2.91 (2.9075)
FFr9.9025 (9.905)
SFr2.495 (2.495)
Y255.5 (257.0)
£ Index 94.2 (94.4)

GOLD
London:
$363.9 (364.75)

N SEA OIL (Argus)
Brent 15-day Apr
$16.85 (17.25)

Chief price changes yesterday: Page 19

DOLLAR
The New York markets were closed yesterday for the Presidents' Day holiday

London:
DM1.4845 (1.476)
FFr5.0525 (5.0275)
SFr1.273 (1.267)
Y130.4 (130.4)
$ Index 60.3 (60.1)
Tokyo close. Y129.25

STOCK INDICES
FT-SE 100:
2,318.3 (+21.4)
FT Ordinary:
1,842.6 (+18.1)
FT-A All-Share:
1,117.59 (+1.0%)
Tokyo: Nikkei
26,230.01 (+886.27)

LONDON MONEY
3-month interbank:
closing $13\frac{1}{16}$% ($13\frac{1}{8}$)
Liffe long gilt future:
$93\frac{2}{32}$ ($93\frac{1}{32}$)

Two US ships damaged by mines

British ground forces join artillery assault

By Victor Mallet in Riyadh

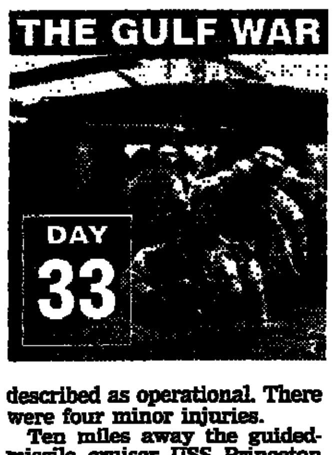
BRITISH ground forces have been in action for the first time in the Gulf war, bombarding Iraqi tanks and guns across the Saudi border with artillery and multiple rocket launchers.

Brigadier Rob McAfee said the attack, which was part of a wider series of allied engagements, destroyed three tanks and three artillery pieces. "The raid was a modest but successful start by the Royal Artillery," he said.

Cloudy weather has hampered allied air operations, but the US-led multinational alliance continues to threaten Iraq with an imminent onslaught to force it out of Kuwait.

Two US ships were damaged by mines in the northern Gulf. The Saudi navy announced that US, British and Saudi ships were starting to work "towards the north" to clear the area of mines in what may be a preparation for an amphibious assault.

The USS Tripoli, an assault ship carrying helicopters which can be used for mine spotting, was holed and a forward compartment was flooded, but the ship was



described as operational. There were four minor injuries.

Ten miles away the guided-missile cruiser USS Princeton was hit and forced to steam under half power after one of its two screws was damaged. Three injured crewmen were transferred to the British hospital ship HMS Argus.

On land, US Marines destroyed two armoured personnel carriers with Cobra helicopters when six Iraqi vehicles probed across the border, and the Saudis also reported an exchange of artillery fire with Iraqis.

The border seems to have become particularly active in recent days, although a US spokesman insisted yesterday that allied ground forces were "basically" staying on the Saudi side of the border.

A US officer said that air attacks on Iraqi tanks and artillery in the Kuwait area were as successful as ever following the adoption of new tactics by the alliance – including different munitions and better identification procedures.

"We're not experiencing too many misses. We're really having a field day taking out his [President Saddam's] tanks and his artillery," he said.

As the number of allied air sorties passed the 80,000 mark, Saudi Arabia announced that the United Arab Emirates had become the latest Gulf state to join in the air war.

UAE Mirage 2000s flew four sorties against Iraqi logistics bases.

A US F-16 fighter crashed, but the pilot parachuted to safety and was rescued by the allies 40 miles inside enemy territory.

EC faces divisions over Soviet peace plan

By David Buchan in Brussels

SOVIET President Mikhail Gorbachev's Gulf peace initiative could cause fresh division among foreign ministers of the European Community who meet today to try to agree on a common post-war Middle East policy.

Mr Frans Andriessen, EC external affairs commissioner, said yesterday that he and the foreign ministers of Luxembourg, Italy and the Netherlands were given no clue in Moscow over the weekend as to the impending Soviet initiative.

"But it was absolutely clear that the Soviet Union will respect the decisions taken by the United Nations [over Iraq's unconditional withdrawal from Kuwait]," he said.

However, countries like Italy and Spain appear to share some of Mr Gorbachev's feeling that Iraq's declaration last week of its readiness to withdraw – however elaborate the conditions attached to it – could be the basis for dialogue, if not negotiation.

Other EC members, notably Britain and the Netherlands, agree with the US that Baghdad's announcement was just a hoax to win breathing space.

Ministers will have before them today papers from the Luxembourg presidency and the Commission listing the scope of political, security and economic elements that might go into a common EC strategy on the post-war situation in the Middle East. The EC already plans $6.3bn (£3.18bn) in aid for some 12 Maghreb and Mashraq countries between 1992 and 1996.

Two weeks ago ministers asked the Commission to draw up a balanced aid package for Israel and Palestinians in the occupied territories. But the Commission will only be considering such a package later this week.

It has dragged its feet on the issue as it feels Israel does not need the aid, which Germany has suggested should total Ecu150m (£105.9m), and that balancing it politically with further aid to Palestinians will exceed the EC's already stretched budget guidelines.

Mr Douglas Hurd, the UK foreign secretary, will argue that Britain is already helping Israel by sending Tornado jets on Scud missile hunts, and that other EC states should make national cash contributions if they want to aid the country.

A ground crewman directs a F-16 into a refuelling area, known as the Hot Pit, at a US airbase in Saudi Arabia

Opec in confusion over falling oil price

By Deborah Hargreaves

SIGNS OF tension among members of the Organisation of Petroleum Exporting Countries (Opec) were evident yesterday as the oil price slipped further. The price for North Sea Brent crude to be delivered in April closed 40 cents lower at $16.85 a barrel.

Mr Sadek Boussena, Algeria's oil minister and president of Opec, was yesterday reported to have invited fellow Opec ministers to informal talks on market conditions in Vienna next week. But Gulf producers were opposed to a meeting and Opec's Vienna office later denied the report.

However, one Venezuelan delegate said last night he was still expecting some meeting to take place.

Opec producers have stepped up output, suspending last year's 22.5m barrels-a-day (b/d) production quota, to compensate for lost production by Iraq and Kuwait since the Gulf crisis began. But world stocks are now so high that the market is more worried about a glut of oil than a shortage.

Mr Boussena has repeatedly expressed concern about a falling oil price amid predictions that once the war is over, prices could fall to $15 to $12 a barrel.

Key Gulf producers such as Saudi Arabia, which has almost doubled its oil output from 4.5m to 8.5m b/d since August, are opposed to any talks before the scheduled meeting on March 11 of the eight-member Opec monitoring committee. All Opec ministers will attend the March meeting and it could turn into a policy-setting forum.

But, even at that meeting, Gulf sources suggest that no big change in policy will be made if the war is still under way. Saudi Arabia is understood to believe that negotiations over a production ceiling and new Opec quotas should be left until the fighting stops.

'Swift Iraqi withdrawal' likely after ceasefire

By Paul Abrahams

AN IRAQI withdrawal from Kuwait could take anything from two weeks to more than a month, depending on the amount of equipment they were allowed to take with them, defence sources in London believe.

However, the allies are thought to be insisting on a withdrawal taking about 14 days. They are understood to have a clear idea of how quickly the Iraqis could withdraw, but remain unwilling to disclose their assessment before any negotiations.

Such a quick evacuation would oblige the Iraqis to leave most of the heavy equipment and ammunition they have built up in Kuwait over the last six months.

It is unclear whether the equipment, which would include tanks, would be sent back to the Iraqis at a fixed date after the ceasefire. The confiscation, in effect, of much of Iraq's military hardware in Kuwait would be in line with Anglo-American desires to prevent a repetition of Iraq's invasion of Kuwait.

Mr Francis Tusa, European editor of Armed Forces Journal, said: "The position of the Americans appears to be hardening. By insisting on a swift withdrawal without much of their equipment they seem close to pushing the Iraqis into a corner."

An evacuation would be neither an easy nor a quick affair, said Col Andrew Duncan, assistant director for information at the International Institute of Strategic Studies in London. The scale of an Iraqi withdrawal would be immense, he warned.

About 350,000 Iraqi troops were in Kuwait before January 17. There are about 1,700 tanks, 1,900 armoured fighting vehicles and 1,900 artillery pieces in the Kuwaiti theatre of operations, although not all are in Kuwait.

Once a ceasefire was agreed, said Mr Tusa, it would take a number of days for the Iraqis to inform their front-line troops that it had been arranged.

This process could take longer if coalition bombing had been as successful as expected in disrupting command, control and communications facilities.

Mr Tusa said he expected the Americans to demand that US aircraft should be allowed to fly over both Iraq and Kuwait during the departure.

Hurd seeks proof of pull-out before pause in bombing

By Ivor Owen, Parliamentary Correspondent

IRREVERSIBLE proof that Iraq was withdrawing from Kuwait would be needed before any pause in bombing raids or other allied operations in the Gulf, said Mr Douglas Hurd, the British foreign secretary, yesterday.

Mr Hurd's view was echoed by the Labour party leadership.

Mr Gerald Kaufman, the shadow foreign secretary, said the Labour party was concerned that any attempt by Iraq to set out a list of conditions to be carried out before or in parallel with its withdrawal from Kuwait was "totally unacceptable".

Mr Hurd told the House of Commons he believed that President Mikhail Gorbachev of the Soviet Union wished to keep the door open for Soviet diplomacy to produce a breakthrough.

He dismissed suggestions that there could be room for "backsliding" from the UN resolutions in talks in Moscow yesterday between Mr Gorbachev and Mr Tariq Aziz, Iraq's foreign minister.

Mr Hurd recalled that the Soviet Union had passed earlier tests by backing the resolutions approved by the Security Council.

He told the House: "That is why I have reasonable confidence that any proposals they produce will fall within the Security Council resolution which they themselves have helped to put forward".

He brushed aside suggestions that more careful consideration should have been given to Iraq's offer made on Friday before it was dismissed by President George Bush and Mr John Major, the UK prime minister.

Mr Tam Dalyell (Labour), an opponent of the war, protested that the president and prime minister had failed to consult the UN before making any public comment.

Mr Hurd maintained that such consultation was unnecessary since the allies were operating with the authorisation of UN resolutions.

Mr Hurd refused to be specific on questions about the conditions of a withdrawal.

Journalists threaten to defy restrictions

By Alice Rawsthorn

SEVERAL hundred European and Asian journalists are threatening to defy restrictions on media coverage of the Gulf war in protest at what they consider to be preferential treatment of US and UK journalists.

The journalists are complaining that combat reporting spaces for covering the war's front-line are reserved almost exclusively for the US and UK media. They are threatening to move *en masse* to the front unless they are given more combat spaces within the next two days.

Since the war began, only select groups of reporters have been allowed to visit the front on facility trips organised by the military. Other journalists are forced to rely on the pooled information provided by these reporters.

The US forces have made provision for 100 combat reporting places for the 700 American journalists based in Dhahran. The British forces have established a small media centre for the UK reporters and photographers covering the conflict.

The 300 journalists from other countries have been restricted to three combat reporting spaces made available by the Saudi Arabian government. They claim this puts them at a disadvantage against their US and UK colleagues.

Mr Perry Kretz, a correspondent for Germany's Stern magazine, said they were being forced to report "a second-hand version of the war".

The European and Asian journalists are demanding 72 places on facility trips to the front. Otherwise they threaten to drive to the combat zone.

● The Broadcasting Standards Council yesterday held a special meeting in London to discuss complaints from the public about television coverage of the war. The BSC decided to discuss the issue again at its next scheduled meeting on March 4.

Democracies get smart, Page 17

King Fahd vows 'jihad' will continue

By Victor Mallet

KING Fahd of Saudi Arabia vowed yesterday to continue what he called the jihad, or holy war, against the Iraqi occupation of Kuwait and sharply criticised Arab leaders who support President Saddam Hussein.

In a prepared speech read by his brother Prince Sultan, the defence minister, to a "Jihad convention" in Riyadh, the king said the struggle would continue "without hesitation".

The convention is hosted by the Imam Mohammed bin Saud Islamic University, whose sports facilities were hit recently by a Scud missile.

Iraq has sought to portray the war in the Gulf as a jihad against infidel Americans and corrupt Gulf monarchies, but Islamic teachers loyal to the ruling Al-Saud family have justified the war effort by saying that Islamic law allows Moslems to call on non-Moslems for assistance in a jihad.

Now that the war has begun, Gulf governments have taken a hawkish line against Iraq and its sympathisers, particularly Jordan and the Palestine Liberation Organisation.

King Fahd said he could not understand why some Arab leaders supported President Saddam.

Refineries leave oil industry exposed

Processing of crude is a potential problem, writes **Deborah Hargreaves**

WHEN the oil industry had its first whiff of peace in the Gulf last week, the market dropped like a stone. Crude oil prices fell by more than $2 a barrel, with prices for refined products falling even more.

Refined products such as jet fuel, petrol and heating oil are more vulnerable than crude oil to a price plunge once the war is over. They have been kept at a level out of line with crude prices by strong allied demand for fuel and, more recently, by the cold weather in Europe.

The world's refinery system is the potential bottleneck in an industry awash with crude oil. Gulf refineries – particularly in Saudi Arabia – have been running flat out since Kuwait's capacity was cut; Kuwait's sophisticated installations produced about 700,000 barrels a day (b/d) before the invasion; 600,000 of which was for the export market.

The Gulf refineries are vital for supplying the Far East market, where demand has remained fairly strong in comparison with a downturn in US consumption.

There is little slack in the system to accommodate any disruption that may be caused by accident or closure for maintenance.

"It is a fallacy to say the world is comfortably supplied with oil," says Dr Paul Horsnell, research fellow at the Oxford Institute for Energy Studies. "The world never runs out of oil, but there are local frictions."

Mr Horsnell points out that US stocks of petrol are only just over three days above minimum operating levels.

At the end of last week, the American Petroleum Institute reported that US petrol stocks were at 226m barrels – 5 per cent lower than in the same week last year – against an operating minimum of 205m barrels.

The onset of the Gulf crisis last year caused various changes in the traditional relationships between crude and product prices. This has been marked recently in Europe where supply is tight and demand rose in the cold weather.

Mr Russell Seal, chief executive of British Petroleum's UK operations, said last week that demand from the Gulf, increasing consumption by eastern Europe, and the cold weather had led to a refining margin over crude oil almost three times its normal level.

Refiners normally gain a margin of $2 to $3 a barrel over the crude oil price, but recent demand for products has pushed this to $10 a barrel, although it is dropping back again.

While European refiners are pumping products fast, in the US, where a severe recession has cut into demand for oil and related products, refining affords little margin over crude oil and refineries are working at 84 per cent of their capacity.

However, US refining activity is picking up and capacity utilisation rose 8 per cent last week as consumers and companies exported to Europe during the cold weather.

One of the refined products most in demand is jet fuel. Saudi Arabia has turned into a net importer of about 300,000 b/d; it was a net exporter until last October.

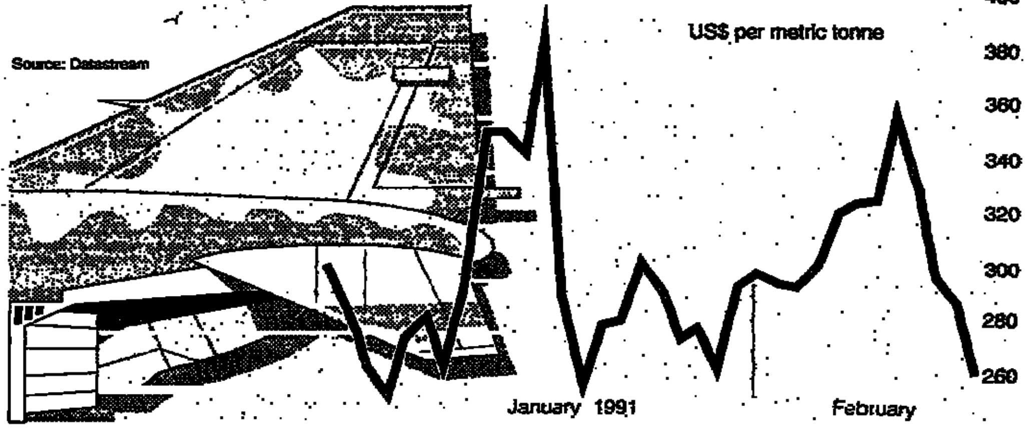
While the increase in military demand for jet fuel is partly offset by a decline in commercial traffic, most analysts believe there has been a net increase in jet fuel demand.

Refineries are responding to the increased demand, but to produce more jet fuel they have to cut into output of gas oil at the heavier end and petrol at the light end. This will not hurt the gas oil market (gas oil is used to make diesel) since demand for that will drop off as the cold weather abates, but could cut into petrol production just as demand rises for the peak spring driving weather.

The price of jet fuel, which fell $100 a tonne on Friday after the Iraqi offer to pull out of Kuwait, recovered $40 to $265 a tonne – although slipping back slightly yesterday to $258 a tonne as crude fell again.

Mr Mehdi Varzi, oil analyst at Kleinwort Benson, said: "I am frankly surprised why some experts are so bearish on the crude oil price after the war. The total availability of products is quite tight and crude has no intrinsic value until it is run through a refinery."

Mr Varzi points out that Iraq will become a net importer of its 350,000 b/d product consumption when the war ends and Saudi Arabia may want to rebuild some of its product stocks which have been run down to supply the allied war effort.



Israeli officers' dismissal recommended

ISRAEL'S top military legal officer has recommended the dismissal of eight Air Force officers suspected of involvement in a corruption scandal over defence contracts with the US, writes Hugh Carnegy in Jerusalem.

The affair has embarrassed Israeli officials who are concerned by its possible repercussions on US military aid to Israel just when the country is seeking extra help to offset Gulf war costs. Much of the $1.8bn (£900m) in annual US military grants to Israel is spent on Air Force procurement from US defence contractors.

The scandal began to unfold in October when Brig-Gen Rami Dotan, then in charge of procurement programmes worth hundreds of millions of dollars, was arrested. He had previously headed the Air Force procurement office in the US.

He is accused of running a system of fraud, bribes and kickbacks which allegedly netted more than $10m for the participants. The former chief Air Force quartermaster, Col Yitzhak Sa'ar, was also arrested in December in connection with the case.

● A Palestinian journalist detained without charge three weeks ago by the Israeli army said yesterday he had been held in solitary confinement for 11 days, including four without food.

Mr Taher Shriteh, a principal source of news from the occupied Gaza Strip, broke down when he appeared at a bail hearing in a military court in Gaza.

He told colleagues his solitary confinement had been spent in a cell measuring 1.5m by 80cms. "For four days no food," he said. Mr Shriteh's application for bail was turned down by the military judge. He is currently on remand until March 10.

Although not formally charged, the Military Prosecutor told the court Mr Shriteh was arrested for translating and passing on underground leaflets from the outlawed Islamic organisation Hamas to Reuters news agency.

Saddam Hussein: faces problem

Iraqi media laud Saddam's Kuwait withdrawal offer

By Robert Graham

THE government-controlled media in Iraq have embarked on a campaign to drum up backing for President Saddam Hussein's offer of a conditional withdrawal from Kuwait.

This was being interpreted yesterday by Middle East analysts as a means of preparing the Iraqi public for an eventual withdrawal on unfavourable terms from the emirate, which has formally been Iraq's 19th province since last August.

At the same time considerable emphasis is being placed on expressions of support from the armed forces for the Iraqi leader. By so publicly invoking the armed forces' loyalty for President Saddam in the wake of Friday's withdrawal offer, the leadership appears anxious to guard against any internal revolt.

President Saddam faces a problem in how to explain any withdrawal from Kuwait without inflicting heavy casualties on his opponents. Since the 28-nation allied coalition launched Operation Desert Storm to liberate Kuwait on January 17, the official Iraqi media have said their forces would sit tight until their enemies were lured into a bloody land battle.

The withdrawal offer, announced after a meeting of the five-man Revolution Command Council (RCC), was hedged with conditions. In particular the RCC called for the removal of the United Nations economic blockade, the withdrawal of all foreign forces, linkage with an Israeli withdrawal from the occupied territories and reconstruction of war damage in Iraq.

But these conditions have now been reassessed as a result of talks yesterday in Moscow between the Soviet leadership and Mr Tariq Aziz, the Iraqi foreign minister.

As a result, foreign journalists in Baghdad yesterday reported increased expectation of a decision on Iraq's withdrawal.

Over the weekend one communiqué issued by the Armed Force General Command claimed: "Our leadership's wise and brave initiative has discredited all the excuses behind which the wicked alliance is hiding. This has made Iraq win the world's sympathy and has caused the nation to rally round its struggle."

The communiqué went on to say: "Our armed forces reaffirm the pledge of loyalty to their triumphant leader Saddam Hussein and to the people of the homeland." Other recent communiqués have talked of President Saddam as a triumphant hero, suggesting that Iraq's "victory" has been all but won against what is called the "imperialist-Zionist-Atlantic alliance".

Careful reading of the RCC statement issued on Friday, offering conditional withdrawal, reveals the Iraqi leadership providing a new rationale for the invasion of Kuwait. When the invasion was carried out last August and even after fighting began last month, Iraq has insisted the invasion was primarily a reassertion of Iraq's historic right to the emirate.

The long preamble to the withdrawal offer, where the word Kuwait is never mentioned, claims the invasion was a blow against outside interference in the region and to end corrupt royal regimes in the Gulf. It calls the invasion a "pan-Arab and Islamic uprising" against "injustice, immorality, corruption and imperialist-Zionist-colonialist hegemony of the region".

Iraqis have been told the change of heart by their leader is the product of "unprecedented" tough UN resolutions being implemented against their country.

The preamble also, for the first time, makes a direct reference to the damage wrought by more than 30 days of sustained aerial bombardment. It talks of the "enormity" of material losses, but to offset this says such damage is being matched by the nation's spirit of determination.

The ultimate appeal in all media reports, however, continues to be directed at the Iraqi people's faith. The information they are being given is too thin to rely on anything else.

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AMERICAN NEWS

Argentina's tax package may not meet expectations

By John Barham in Buenos Aires

AN emergency tax package comes into force in Argentina this week, following final congressional approval at the weekend. But experts consider that President Carlos Menem's government will raise far less than the expected $200m a month in added revenues, threatening the country's precarious economic stability.

Congress has approved higher taxes on bank and foreign exchange transactions, corporate assets and higher value added tax, now fixed at rates between 16 and 25 per cent.

Mr Domingo Cavallo, economy minister, said the extra revenues would enable the government to balance its books by April and restore a semblance of confidence in economic policy.

However, independent analysts say the taxes will provide only $180m-$130m a month. The government, presently $120m in deficit, needs a monthly budget surplus of over $300m to service its foreign debts.

Mr Oscar Libonetti, an economist at an industry-financed economic think-tank, said the new taxes are "highly volatile and unsustainable over time" and will not establish "fiscal solvency".

The government claims that, besides the new taxes, a crackdown on rampant tax evasion by private individuals and public companies will boost revenues.

The fiscal deficit exploded in January, forcing the resignation of Mr Antonio Ermán Gonzalez as economy minister. The government was forced to print money to cover spending and postponed some $600m in payments.

The result was a 40 per cent devaluation and 30 per cent inflation in February.

The central bank is expected to honour heavy government foreign debt commitments of $650m-$700m this month, reducing its liquid reserves to about $2.8bn.

Furthermore, the pace of privatisations – a key source of finance for the government in 1990 – is certain to slow. The government has promised to allow Congress 30 days to review each privatisation, in exchange for rapid approval of the tax package.

The government had planned to sell 13 state companies this year, having sold seven since July 1989. Mr Cavallo is placing greater emphasis on careful planning of each privatisation, in contrast with last year's haste to sell big corporations.

The cost of that haste is now emerging, as the government and the new owners of 85 per cent of Aerolíneas Argentinas, the national airline, squabble over an extension beyond Thursday's deadline for payment.

To prevent the privatisation's collapse last November, the government agreed to a three-month extension for delivery of foreign debt certificates and bank guarantees under the $2.3bn cash and debt-for-equity sale. The two sides are now accusing each other of not respecting the sale contract.

Nicaraguan sell-off reduced to snail's pace

Tim Coone in Managua reports on the gathering storm surrounding privatisation

FOR most Nicaraguans El Caracol – the snail – is the trademark of a series of unremarkable local beverages made from cereals and a reminder of their childhood.

Today, however, El Caracol is very much a symbol of the adult world. The factory which makes the products is one of several at the heart of a gathering storm over government plans to privatise all factories and farms in the hands of the state.

Located in an industrial suburb of Managua, the capital, the small "El Caracol" factory has been taken over and run by its 115-strong workforce since September last year.

All the government assets now being privatised were expropriated during the 11 years of the previous government.

Their return to the private sector is increasingly seen as central to successful negotiations with the IMF, World Bank and commercial creditors to reschedule Nicaragua's $11bn foreign debt and obtain new credit flows.

There are about 440 state-run enterprises throughout the country, ranging from El Caracol to huge agricultural estates extending over tens of thousands of hectares. Together they contribute around 40 per cent of Nicaragua's GNP.

The majority of the properties were expropriated from the dictator Anastasio Somoza, who was deposed by the Sandinistas in 1979.

Nevertheless, a significant number were expropriated later under the agrarian reform law introduced by the Sandinista revolution, or by "absentee owner" legislation or punitive decrees against persons who identified openly with the Contras who were trying to overthrow the government with US backing.

Mr Alfredo Cesar, president of the National Assembly, who is charged with nursing the privatisation bill through parliament, says: "Everything is up for sale, although maybe not everything will be saleable."

He says that most state companies are being run at a loss and have to be subsidised.

"They are a burden to the state.

Privatisation is not a doctrine, but a national necessity for the economic health of the country."

The privatisation programme, however, has become entangled in a mesh of legal and political battles.

The trade unions, headed by the powerful Sandinista-led National Worker's Front (FNT) confederation, are insisting that the workers be given a share of the enterprises to be privatised.

When the attorney-general ruled last September that the El Caracol factory must be returned to its pre-1979 owner, the FNT-controlled workforce occupied the plant.

Mr Ronaldo Rodriguez, El Caracol's union leader, says the net worth of the company at the time of confiscation was $1.6m.

He insists that "now it is $2.3m, resulting from reinvestment and great sacrifice by the workforce".

During the worst years of the economic crisis induced by the Contras' war against the Sandinistas, employees frequently worked unpaid overtime and wages were often insufficient even to buy basic food rations.

"We invested sweat and blood in the factory to keep it running and we want the government to recognise that," said Mr Rodriguez.

The government has cut off the phones and frozen the company's bank accounts, but output continues and El Caracol's products are still in evidence on supermarket shelves.

Mr Lucio Jimenez, the secretary general of the FNT, said: "The government does not even want to recognise the workers' claim. They are saying we are free to buy shares like anyone else, but with such low wages who will be able to do so?"

Average industrial wages are presently barely able to cover the cost of a basket of 53 basic consumer products, valued in January at $237 per month.

El Caracol is typical of many of the companies in the state sector.

After 11 years, the financial structure and net worth of many enterprises bears little relation to those that were expropriated immediately after the revolution.

The attorney-general has issued hundreds of rulings authorising the return of properties to their former owners.

In several cases compensation had already been paid by the Sandinista government. The battles must now be fought out legally through Nicaragua's antiquated court system.

If the disputes can be resolved, Mexican and Costa Rican investors are expected to be major takers of shares in the newly privatised companies.

The Nicaraguan government recently negotiated bilateral debt-equity swap agreements amounting to several hundred million US dollars.

New bonds will be issued at a substantial discount to both the Costa Rican and Mexican governments, and, once the privatisation law is approved, these can be sold to private investors and exchanged for shares in the privatised companies.

The unions last week claimed their first victory. The government's holding company for state-run enterprises has agreed to share out Hatonic, a 230,000 hectare cattle-ranching estate which administers several properties and was created from more than 100 expropriated private properties in the early 1980s.

Former owners will get back 56 properties amounting to some 50,000 hectares but must pay for the improvements made since 1979.

Another 70,000 hectares will go to Hatonic's workforce, while the remainder will be divided between 5,000 former army officers and 7,000 demobilised Contra rebels who have been unemployed for the past year.

This is a significant agreement which will pave the way for further privatisations in the agricultural sector.

However, the manufacturing sector is likely to remain the toughest of all the problems to resolve.

As visiting European businessmen commented: "Who will want to buy shares in a company in which a militant trade union is your major partner ?"

Peru fears epidemic's effect on exports

PERU'S health minister Carlos Vidal Layseca said yesterday that the country's cholera epidemic was on the wane, writes Sally Bowen in Lima.

But he added that Peru was now intent on protecting its exports from "truly incomprehensible reactions, which have more to do with politics and trade than with health".

The outbreak, the first in Peru for over a century, claimed its first death on January 29. Since then, 16,600 people have been treated for the disease and up to Sunday night a hundred had died.

Peru stands to lose up to $50m in lost exports, according to Mr Luis Ramirez of the Foreign Trade Institute (ICE). Products most likely to be affected by bans by importing countries are fresh and frozen fruit, (especially mangoes and melons), fruit juices, frozen fish and shrimp.

The principal markets for these products are the European Community, the US, Japan, Costa Rica and Colombia.

Mr Vidal said that banning canned and frozen products, as well as fishmeal, was "quite illogical", given the temperatures at which these products are processed.

Rebel officer seeks to embarrass president

By John Barham

THE LEADER of a rebel faction of the Argentine army has leaked details of more than 50 meetings he allegedly held with top government officials during the past two years, in a move calculated to embarrass the government of President Carlos Menem.

According to a report in the left-wing Buenos Aires newspaper Pagina/12, Reserve Colonel Mohamed Ali Seineldin held meetings with President Menem, cabinet ministers and senior aides to discuss an "accord" with his faction of the army. Sections of the army have rebelled on four occasions since April 1987.

Col Seineldin: life sentence

According to Pagina/12, a main feature of the accord was the faction's support for Mr Menem, in the event of coup to prevent him taking office in 1989, as well as an agreement that Mr Menem would strengthen the army.

Col Seineldin also claims he turned down an offer by Mr Menem to appoint him defence minister.

However, his relations with the government deteriorated and Col Seineldin says the government reneged on its promises, leading to a mutiny on December 3 1990 which left 13 peopledead. In January, a court martial sentenced Col Seineldin to life imprisonment in prison.

The colonel, despite his distaste for civilian justice, has appealed against the sentence in the civilian courts; he evidently hopes to convince judges that the government is partially responsible for the mutiny.

Move against money laundering

THE British Virgin Islands and US have signed a treaty designed to cut down money laundering in the UK possession's offshore financial sector, writes Canute James in Kingston.

The Mutual Legal Assistance Treaty is similar to that between the US and other Caribbean countries with offshore financial business. It gives the US law enforcement agencies and the islands facilities for pursuing investigations of financial crimes linking both countries.

The Virgin Islands' financial services sector is based on company registrations, with a few offshore banks. A report on the offshore sector of the British Caribbean possessions, commissioned last year by the Department of Trade and Industry, praised the Virgin Islands but suggested there was room for improvement to prevent abuse.

The financial services sector provides about 20 per cent of the territory's GDP.

The treaty was signed after local debate in which some legislators expressed concern that the pact could affect client confidence in the territory's offshore financial services sector.

They questioned whether the territory could take advantage of provisions in the treaty for doing its own investigations in the US.

BA in airline venture with German partners

By Leslie Colitt in Berlin

BRITISH Airways and three German investors have applied to the German Transport Ministry for permission to set up a new low-cost airline taking over BA's internal German routes to Berlin, which it operated for more than 40 years with Pan American.

The decision to set up a new airline, with a German stake of 51 per cent, was prompted by the German government's demand that BA end its flourishing German service in a few years' time. Mr Bernd Wietfeld, a spokesman for BA in Germany, said yesterday it had joined forces with investment subsidiaries of Berliner Bank, Bayerische Vereinsbank and Commerzbank to apply for the necessary operating licences.

Mr Wietfeld said the investors had made it clear that before going ahead they wanted "absolute certainty" that the new airline would have a low operating cost base. Provided all conditions were fulfilled, operations could begin in the spring, using seven BA 737-300s and four two-engine advanced turbo-prop aircraft.

Partners in the new airline said wages and conditions for air crews and ground staff would need to be considerably less generous than those enjoyed by the nearly 700 BA employees in Germany. Advertisements were placed in several European publications for pilots and the response from within the European Community was described as overwhelming. It is not clear what the future is for the existing 700 staff.

The new airline is emulating Lufthansa, which sought to lower its high staff costs by hiving off services to Condor, its lower-wage subsidiary, and to Euroberlin, a subsidiary of Air France and Lufthansa in which the German national carrier intends to take a majority stake.

Negotiations are under way with the German unions on a lower wage structure and reduced benefits for BA's new Berlin-based airline. Mr Wietfeld said earlier plans to turn Berlin into a hub for BA flights to eastern and western Europe had collapsed when several governments refused permission for BA to fly from Berlin. An airline with a German majority, however, stood a far better chance of gaining such routes.

Air France cuts hours and wages to meet fall in traffic

By George Graham in Paris

AIR France, the French national airline, has announced plans to cut its wage bill by nearly FFr600m (£60m), in the latest of a series of stringency measures aimed at coping with rising costs and falling traffic.

The measures, outlined yesterday to employees' representatives by Mr Bernard Attali, Air France's chairman, involve cutting the working hours and wages of every employee by 6 per cent, and freezing all salaries at their 1990 level.

Mr Attali also proposed adjustments in working hours to adapt the workforce to Air France's seasonal needs, as well as measures to encourage the early retirement of employees aged between 53 and 58.

The new cuts are the fourth set of austerity measures announced by the national flag carrier since last summer, when the Iraqi invasion of Kuwait sparked off a sharp rise in the cost of aviation fuel and air insurance premiums expected to push it FFr1bn over budget for 1990.

Air France has suffered even more than some other big airlines from the decline in air traffic. Passenger traffic at the end of January was already 22 per cent lower than in the same period of 1990, but the first week of February showed a further slump to 28.5 per cent lower than last year.

The company had already announced a freeze on all non-essential ground investment last September, and earlier this month said it was cutting 2,000 flights from its schedules, around 6 per cent of its total. It is also delaying taking delivery of some of the Airbus jets it has ordered, although it is maintaining most of its aircraft investment programme.

The combined effect of the austerity measures is equivalent to cutting 3,000 jobs from its 39,000 workforce, Air France said yesterday.

Force Ouvrière, the trade union which holds the majority in Air France's employee council, yesterday hotly rejected Mr Attali's proposals, but did not call for a strike.

The guns come out again in Georgia

John Lloyd reports from a divided Soviet republic which may be heading for tragedy

THE Soviet Republic of Georgia may soon be the setting for a tragedy. Its president, Mr Zviad Gamsakhurdia, has appealed to the west to support its claim for national independence against the designs of the "imperial" president, Mr Mikhail Gorbachev. But he is in a closing Caucasian circle.

His economy is being ruined by stoppages, mostly caused by electricity cuts he says are Moscow-inspired, while armed gangs, some masquerading as "political parties", are taking over more and more of the republic's life. What is more, the South Ossetia region, in the foothills of the Caucasian mountains, is in revolt. He cannot guarantee order and he cannot control his economy.

Early yesterday morning, Soviet troops stormed a training base used by an illegal, paramilitary nationalist group, the Mkhedrioni or Knights of Georgia. It was an assertion of Soviet power, and though Mr Gamsakhurdia also sees the Knights, one of several paramilitary nationalist groups, as an irritant, he fears that the Soviets will go further to re-assert Moscow's control.

South Ossetia is at the centre of events. It is the home of a non-Georgian ethnic group, the Ossetians, who lived relatively peacefully with the Georgians until Mr Gamsakhurdia's nationalist government won power from the Communists last November. A month later the South Ossetian council declared the region a republic. Mr Gamsakhurdia put it under a state of emergency and abolished not just its new republican status but its regional status too.

Fighting soon broke out between South Ossetians and Georgian militia, the latter supplemented by Georgian armed gangs. Some 29 people are said to have died before the Georgian militia were withdrawn. Peace is now kept by two battalions of Soviet Interior Ministry (MVD) troops, camped out in a grim barracks on the edge of the South Ossetian capital, Tskhinvali.

In the stinking little hospital, Dr Bela Plieva counts 103 injured people. They have no heating, although a Soviet army generator now provides a meagre supply of electricity. There are anaesthetics but little medicine, because of aGeorgian blockade on supplies. On the outskirts of town, in an old peoples' home, seven ragged old women half-crouch round a metal stove in which a few sticks hardly mitigate the freezing fug.

Despite the poverty and the blockade, however, the South Ossetians remain militant. Mr Gerasim Xugaev, acting head of the regional council says: "We remain a republic, a democratic vote made us so." At night, the head of the Ossetian militants, Mr Alun Chochiyev, comes to a house part-ruined by a grenade and talks of the struggle continuing. A toast is made: "To victory for our country!" A Soviet captain, who should be arresting him, drinks with the rest.

At the MVD headquarters, Lieutenant Colonel Vasily Stakulets says he can keep order in the town, though there are gun battles every night, but can do little in the surrounding country districts. "Our only chance of disarming both sides is a declaration of presidential rule," he says.

But direct presidential rule from Moscow is precisely what the Georgian nationalist leaders in the republic's capital, Tbilisi, fear, while doing little to search for a compromise. President Gamsakhurdia and his ministers are adamant. The Ossetians, they say, are "tools of Moscow" while President Gorbachev is "an imperial dictator, now finished".

They believe that Mr Gorbachev is offering them an impossible bargain – an end to Moscow's support for South Ossetia if Georgia drops its nationalist claims. If not, South Ossetia will be recognised as a republic and a wedge will be driven into the heart of Georgia.

In Tbilisi, toughs, some with guns, lounge in ministries and parliamentary offices beside queues of petitioners, complainants and admirers. Clearly, no work is done beyond crisis reaction. The appointment of government-nominated prefects to districts once governed by Communist party secretaries has stimulated intense lobbying. The steps outside parliament are crowded with supporters of rival candidates chanting the names of their patrons through the president's window.

Despite the chaos, Mr Gamsakhurdia, a professor of American literature and founder of a Georgian human rights group in the 1970s, is broadly supported by the roughly 100 political parties pressing for national independence – including the still powerful Communist party.

As for the future, Mr Shalva Abzianidze, head of the government's policy centre, is working out an economic blueprint based on the policy laid down by Mr Gamsakhurdia's Round Table group. Policy documents lucidly discuss the various options, and conclude that a rapid shift to a complete free market with large-scale foreign investment is the only possible way forward.

This vision is at present fantasy. In reality, the old state system is breaking down, though it still manages to supply the staples. But the "free" markets are criminalised and inefficient and the only other foreigners in the main hotel are not investors but irritable, hungry French athletes.

Mr Dilari Habuliani, the former judo champion who is now interior minister, worries that criminal gangs for which the republic is famed are taking over. They are accused of sending gunmen to Tskhinvali, raising tension by taking potshots at local Ossetians, of organising protection rackets, and, in a lawless and trigger-happy society, of settling scores by the gun.

In the competing claims of nationalism, in the shortened tempers in Tbilisi, in the frozen standoff in Tskhinvali, one can foresee a potential future in which violence and criminality become deeply inscribed in Georgian political life, but where intervention by the federal authority to restore law and order – a natural response in a normal state – would be treated as a foreign invasion and aggravate the problem.

Against this broader crisis of Soviet authority, the rising violence in Georgia leaves this beautiful country of high Caucasian mountains and Black Sea coasts hemmed in, with no apparent entry for solutions or exit for tensions.

Georgians in Gori, Stalin's birthplace, protesting last month about a presidential ultimatum to withdraw Georgian police reinforcement troops from South Ossetia

UK extends aid fund to Bulgaria

By Judy Dempsey, East European correspondent.

THE British government yesterday extended its Know-How Fund to Bulgaria following talks between Mr John Major, the prime minister, and President Zhelyu Zhelev.

The talks, described as "cordial", appear to signal warmer links between Sofia and London. Relations were severely strained after Bulgarian secret agents assassinated Mr Georgi Markov, the writer, in 1978.

Mr Zhelev, who is not affiliated to any political party, arrived in Britain on Saturday, and has been keen to stress that Bulgaria is committed to introducing economic and political reforms.

The Know-How Fund, which was set up after the collapse of the communist regimes in 1989, is designed to provide technological, economic and educational assistance to the new democracies of eastern Europe. It already applies to Poland, Hungary and Czechoslovakia.

A British delegation plans to visit Bulgaria in the near future "to discuss overall strategy with the Bulgarian authorities". Officials said the fund was likely to focus on providing advice for setting up small businesses, reorganising public administration, retraining and management.

The news will be particularly welcome to the coalition authorities in Sofia. Besides providing much-needed technical assistance, it will serve as a boost to the government which replaced the socialists last December and which is preparing legislation aimed at introducing privatisation and radical agrarian reform.

Its measures are also intended to attract much-needed foreign investment to revive industrial production and modernise the country's infrastructure. Bulgaria is expecting a stand-by credit from the IMF this month.

Western financial institutions are still unprepared to lend fresh credits until the Bulgarian state undertakes to guarantee the country's $10.6bn (£5.3bn) debt.

Revellers wearing masks and blowing whistles were among the thousands who turned out for a carnival parade in Basle, Switzerland, yesterday.

Greece's Communist leader faces tough party congress

By Kerin Hope in Athens

GREECE'S Communist party (KKE) opens a much-postponed congress today at which young, reform-minded delegates will make a determined effort to force the 76-year-old party leader, Mr Harilaos Florakis, into retirement.

The reformists, who are thought to hold a narrow majority among the 1,200 delegates, want to break the party's Stalinist mould by establishing internal democracy and allowing divergent views to be openly debated. But they are clearly in no hurry to change the KKE name or transform it into a socialist party.

The KKE has been in disarray since Mr Florakis joined up with the former Eurocommunists to found the Left Alliance, which participated in two successive coalition governments in 1989.

Instead of relishing power, veterans of the civil war in the late 1940s, who spent years in prison or exile after being defeated by the nationalists, felt betrayed by Mr Florakis' readiness to co-operate with the conservatives. Support for the Left Alliance declined to just over 10 per cent at the last election.

Now Mr Florakis has changed sides, allying himself with the old Stalinists, his former comrades-in-arms, and relations within the Left Alliance have become uneasy. The KKE's younger generation is trying hard to discredit its elders' blind loyalty to the Soviet Union. It has given heavy publicity to a recent revelation that Mr Nikos Zachariades, the KKE leader in the final civil war campaign, committed suicide in 1973 after being sent into exile in Siberia by the Kremlin.

The reformists, led by Mr Mimis Androulakis, 36, the party's chief of ideology, achieved a breakthrough with a decision to hold the six-day congress in a hall at Athens' Olympic stadium rather than at party headquarters. The proceedings will even be televised, except for the final session at which the party's new officers are to be elected.

The election next Sunday has been named by the Communists in advance "mud-slinging day", in view of the fierce recriminations expected.

However, the reformists are unlikely to provoke a split in the party, not least because of the danger that its lucrative network of business interests might collapse.

The KKE controls much real estate around Greece, mostly members' bequests, as well as bookshops, restaurants, export agencies and even a shipping company.

Meanwhile, the party's internal problems are closely monitored by its coalition partner, the Hellenic Left, which abandoned Eurocommunism almost three years ago and now promises a warm welcome to KKE defectors.

Nato calls for WEU to be EC's defence arm

NATO secretary-general Mr Manfred Woerner yesterday backed proposals to turn the nine-nation Western European Union (WEU) into the defence arm of the European Community, Reuter reports from Brussels.

The WEU, comprising Belgium, Britain, France, Germany, Italy, Luxembourg, the Netherlands, Portugal and Spain has been largely inactive since it was founded in 1954.

"The WEU can and will play a very important role as a bridge between the EC and the (NATO) Alliance," Mr Woerner told reporters after meeting WEU secretary-general Mr Willem van Eekelen.

"NATO is supporting this move. We are in favour of a stronger Europe," he added.

Yesterday was the third meeting in as many working days between key players in the EC's moves to broaden its brief – now largely restricted to economic and trade matters – to include common foreign and security policies.

Mr Van Eekelen said he had proposed moving the London-based WEU to Brussels and placing it under the orders of EC heads of government.

The WEU stirred into action as the Gulf crisis flared, helping co-ordinate Europe's military contribution to the US-led coalition against Iraq while the EC dithered. The WEU has since been the focus of efforts led by France, Germany and Italy to extend a future EC security role to defence by turning the WEU into the armed fist of the 12-nation community.

Diplomats, however, are studying proposals which would allow Nato to remain in charge of European security while WEU forces would be used for operations outside the region.

The defence of the west, Page 16

Germany hopes to become member of Security Council

By David Goodhart in Bonn and George Graham in Paris

SENIOR officials in Bonn appear to be shifting towards the view that Germany should become a permanent member of the United Nations Security Council alongside the US, the Soviet Union, China, France and Britain.

When this idea was first floated by Moscow last year it was received with a good deal of scepticism in Bonn. But in the Gulf-inspired debate about Germany's new responsibilities in the world, it is being looked upon more favourably.

Mr Hans-Dietrich Genscher, the foreign minister, has hinted that he might favour such a move, although publicly he usually talks about his preference for a European Community place on the Security Council.

At the weekend Mr Lutz Stavenhagen, an official in the Chancellor's office, said that "in the medium term" Germany would become a permanent member but would not formally press for it.

However, Mr Roland Dumas, the French foreign minister, last week expressed strong opposition to Germany's elevation to the status of permanent member.

Addressing the Foreign Affairs Committee of the National Assembly, he said the proposal was unrealistic and that France "would not give its agreement".

He added that the present system was born out of the Second World War and that, although Germany and Italy were now proven democracies, that was not sufficient ground for a retroactive reading of the UN Charter.

● Soviet President Mikhail Gorbachev yesterday assured Chancellor Helmut Kohl that the Soviet Union would not delay in signing the "2 plus 4" agreement securing German unity.

There have been fears in Bonn in recent weeks that Moscow might drag its feet over signing the agreement in an effort to squeeze more money out of the Germans.

OTV union rejects pay offer of 4.1 per cent

By David Goodhart in Bonn

A 4.1 per cent pay increase for west Germany's 2.3m public service workers was yesterday rejected as "disappointing" by leaders of the main union, the OTV.

The public service workers, who are demanding a 10 per cent pay rise, are leading this year's pay round in Germany. As usual, the negotiations are being closely watched for their possible impact on the more powerful metal workers' union, I G Metall, which has demanded an increase of slightly more than 10 per cent.

Some union leaders are privately unhappy that the public service workers are leading the pay round in a year in which they hope for a big catch-up in pay rises after some years of concentrating on reducing working time.

Not only does OTV have far less bargaining power than I G Metall but the public sector employers are facing pressure to contribute more towards east Germany, meaning less for their own employees.

Sweden publishes green plans

By Robert Taylor in Stockholm

SWEDEN'S ruling Social Democrats yesterday published an environmental programme ambitiously aimed at solving all the country's industrial pollution problems by 2010.

The main proposals, at an estimated cost of SKr500m (£45.9m), are concerned primarily to make both transport and industry cleaner. They stress the importance of wider co-operation with the European Community on pollution issues and also aim to ensure that Sweden sets a global example in creating a cleaner environment.

The programme includes:

● a differential tax on leaded petrol to make it more expensive than unleaded;

● a 75 per cent cut in mercury emissions by 2010;

● co-ordination with the EC of measures against dangerous toxic emissions. For example, Sweden will work with other European countries to stabilise the level of carbon dioxide emissions by 2000 at their 1991 level;

● a new system of monitoring the environment to be introduced with funds of SKr75m over the next three years.

The proposals tighten existing environmental laws, especially those dealing with industrial emissions and waste disposal.

Ms Birgitta Dahl, environment minister, introduced tough measures to clean up Sweden in 1988 and yesterday's programme is the next step in the strategy.

Ms Dahl emphasised that between 80 and 90 per cent of the pollution in the country came from industrial emissions made abroad. "One of the strongest reasons for going into the European Community is that we can actively influence policy decisions over the environment," she said.

The new programme was criticised by the Green party for not going far enough, but the initial reaction from Swedish industry was cautiously favourable.

Polish inflation jumps to 12.7%

POLAND'S inflation accelerated sharply in January, reaching a monthly rate of 12.7 per cent, more than twice the rate predicted by the government, writes Christopher Bobinski in Warsaw.

The rise – up from 5.9 per cent in December – comes as the authorities are seeking to maintain wage controls in the state sector amid labour demands for pay liberalisation. The government was yesterday due to go into a further round of talks with the Solidarity trade union on the pay issue.

The rise reflects the growing cost of energy after trade with the Soviet Union, a big supplier, switched this year to hard currency. Rising rail transport charges, heating and housing costs also affected consumer goods prices.

EC insurance laws for 1992 expected this year

FT CONFERENCE

EUROPEAN INSURANCE FORUM

MANY of the principal measures to create the EC's single market in insurance should materialise this year, and be approved by the end of next year. They will enter into force in 1994.

Mr Humbert Drabbe, the head of the EC Commission's insurance division in Brussels, told the FT's European Insurance Forum in London yesterday that it was important for the insurance legislation programme to catch up with that of the banking industry because of growing competition between the two areas.

"The traditional borderlines between banking, insurance and securities activities are becoming increasingly blurred, and the appearance of financial conglomerates covering those activities is now a frequent phenomenon," he said.

"From the Commission's point of view it is therefore of the utmost importance to have in place a comparable high-level group of supervisors on an equal footing for this particular and other policy issues."

Dr Roberto Pontremoli, managing director of La Previdente Assicurazioni, said the creation of the single market would have a big impact on the Italian insurance industry. Companies would have to be more dynamic in seeking out their customers, and they would need to offer a personalised service. He saw a need for "drastic change", particularly since the recent performance of Italian insurance companies had deteriorated, and their cost structures compared poorly with those of companies from other EC countries.

Better communications and a wider dissemination of insurance ideas around the EC will be a big factor of the single market, according to Mr Michael Barrett, chief executive of Alexander Stenhouse Europe. Insurance covers which are under-developed in particular countries will be marketed more intensively. The wide difference between the amount of premium spent per head, varying from $1,296 (£654) in Germany to only $114 in Portugal, suggested there was also expansion potential in the up-and-coming economies.

The change in market attitudes in the EC will create strong pressures for new standards in production as well as in research and development, Mr Peter Schroeder, senior vice president of risk engineering at the Zurich Insurance Group, told the conference. What remained unchanged, though, was the fact that the earlier that risks can be identified, the cheaper and faster they can be treated.

Mr Felix Kloman, principal and vice president of Tillinghast, said the changing European market would make risk managers seek longer-term relationships with stronger insurers and reinsurers. He foresaw five-to-ten-year financing agreements, adjustable rates, and broader and more flexible covers.

Mr Dennis Farthing, former chairman of the Institute of Risk Management, said the objective for all those engaged in risk management was to take down the artificial barriers between the different types of risk and give decision-makers ways to measure the risk and judge the viability of any given enterprise against the totality of risks to be run.

Mr Leslie Hammick, partner and director of insurance consultancy at Price Waterhouse, gave an independent perspective on harmonisation within the EC.

Mr Bengt Westergren, executive vice president of the American International Group, said significant new opportunities existed in the emerging markets of east Europe, though there were political and economic risks. To succeed, a company must have a consistent long-term strategy backed by top management. Companies must also be prepared to engage in joint ventures, counter trade and start-up investment.

The conference continues today.

WORLD TRADE NEWS

Dunkel plans to re-start Gatt talks this week

By William Dullforce in Geneva

MR ARTHUR Dunkel, the director general of the General Agreement on Tariffs and Trade, plans to restart tomorrow the Uruguay Round of international trade talks which broke down at the meeting of world trade ministers in Brussels in December.

The resumption would be low-key and intended primarily to ensure the continuity of the talks until it becomes clear whether or not the US Congress will renew President George Bush's "fast-track" negotiating authority. Mr Bush has to propose an extension by March 1 and the Congress has 90 days in which to refuse it.

Yesterday, Mr Dunkel started to sound out delegations' reactions to his plan which depends on him being able to avoid further feuding between the European Community and the US over the terms on which talks on world farm reform may resume.

An EC-US attempt to agree bilaterally collapsed last week when the EC Commission told the US Trade Representative's office that it was not prepared to negotiate specific commitments to cut farm subsidies in each of the three separate areas - internal supports, import restrictions and export subsidies.

Mr Dunkel will call a meeting of the group negotiating on agriculture on Wednesday morning at which he will propose the continuation of the talks in terms which he hopes will raise no objections from the two principal players or from the Cairns Group of 14 farm exporting nations.

If the farm hurdle can be circumvented, Mr Dunkel will suggest that six other negotiating groups meet in quick succession to pick up talks where they left off at the ministerial meeting in Brussels. These groups would include those handling trade in services and textiles, intellectual property rights, tariffs and other barriers to imports.

Trade diplomats said that there was little likelihood of any substantive negotiations over the next three months. But Mr Dunkel's programme could be favoured by a reluctance to throw away the results of four years of talks on trade liberalisation.

Yesterday the director general disclosed his approach to the Cairns Group, a small group of influential developing countries and the South-East Asian group. Today, he will shepherd his ideas past the developing country group, Japan, Canada, the Nordic countries, Austria, Switzerland and the US, ending early Wednesday morning with the EC.

Japan and US both take firm line in new chip talks

Can a 1991 accord achieve the benefits American producers failed to win last time, **Louise Kehoe** asks

A NEW round of semiconductor trade negotiations between the US and Japan started slowly in Washington last week, as both sides took a firm line on one of their most rancorous trade disputes.

The talks are aimed at updating the controversial 1986 US-Japanese semiconductor pact, which expires in July. The issues dividing the world's two largest chip-producing nations have not changed significantly over the past five years, but the circumstances around negotiations differ radically from those that prompted the 1986 accord.

In the mid-1980s, Japan was forced into negotiations because of a series of anti-dumping suits and broader unfair-trade charges filed under Section 301 of US trade law that could have prompted severe trade sanctions in the absence of an agreement.

Today, by contrast, a desire to minimise trade friction harmful to US-Japanese relations in general appears to have drawn Japan to engage in talks about semiconductor trade.

The strident tones of industry statements on both sides have given way over the past two years to more muted criticism and acknowledgment of "substantial progress".

The 1986 agreement called for Japan to increase its purchases of all foreign-made semiconductor chips. It also included measures designed to prevent Japanese dumping of memory chips in both the US and all foreign markets.

Memory-chip dumping is no longer a serious problem, US industry executives acknowledge. The US has conceded that the "government intrusive" anti-dumping measures included in the 1986 agreement, which included the determination by the US Commerce Department of "fair market value" prices for Japanese memory chips, are no longer required.

The major focus of US concerns is now on access to the Japanese semiconductor market. When the 1986 agreement was signed, the foreign share of the Japanese semiconductor market stood at a low of 8.5 per cent.

Since then it has risen to about 13.3 per cent by mid-1990. Over the past few months, the foreign share of the Japanese semiconductor market has begun to decline by a few tenths of a per cent a month.

This trend is hardening US resolve to include "an explicit, enforceable measure of success" in any new agreement with Japan. But Tokyo is opposed to any "guaranteed market share" for foreign chip suppliers, charging this would be contrary to free-trade principles.

In 1986, the US and Japan exchanged a "secret" side-letter to the official text of the semiconductor trade agreement which recognised the US goal of achieving a share of the Japanese chip market of "at least 20 per cent" by the time the accord expired.

Since it is now clear that the 20 per cent goal cannot be reached by July, the US is seeking a pledge from Japan to reach this level of market access by the end of 1992, when the need for a new target could be re-examined.

This compromise position was "predicated on continuing progress on market access,"

The strident tone of statements on both sides has given way to more *muted criticism and the* acknowledgment of 'substantial progress'

notes Mr Alan Wolff, Washington counsel to the US Semiconductor Industry Association (SIA). The latest figures are "cause for concern," he says.

Japan's opposition to a market share goal is only one of several differences aired during last week's talks.

Japan's negotiators are expected to press for removal of $165m (£83.3m) in trade sanctions imposed by President Reagan in 1987, when the US determined that Japan was failing to live up to its commitments in the 1986 agreements. The sanctions have a political, rather than economic, impact that Japan wants eliminated.

It may be in Japanese interests to bring the current semiconductor talks to a swift conclusion , rather than risk fuelling a potential storm of "Japan bashing" in Congress. US chip industry officials plan to mount a campaign in Washington stressing the critical role that US semiconductor technology is playing in the Gulf war and the industry's strategic value.

The US semiconductor industry's stand on Japanese trade is strengthened by the support it has recently won from the far larger US computer industry.

Last October, the SIA and the Computer Systems Policy Project, a group representing 11 of the biggest computer companies in the US, announced a united position on the Japanese chip trade pact.

The alliance of the US computer and semiconductor industries today contrasts with the industry ferment after the 1986 agreement was signed. Then, many US computer makers opposed anti-dumping measures which, they charged, caused a dramatic rise in memory chip prices.

International response to a new Japan-US semiconductor trade agreement is expected to be more favourable this time around. European electronics makers raised serious objections to the 1986 agreement and filed a successful complaint with Gatt, forcing the US and Japan to modify the way they monitored Japanese memory chip prices.

These problems stemmed largely from a lack of communication between the US and the EC, the US industry believes. On an industry level, the SIA has now established co-operative relationships with European industry groups.

The US government, which refused to consult with EC officials during the 1986 negotiations because of differences over farm trade issues, has now recognised the need for open communications on semiconductor trade issues.

A new US-Japanese semiconductor trade agreement is unlikely to generate the protest that surrounded the 1986 pact.

What remains to be seen is whether a 1991 semiconductor trade agreement can achieve the benefits for the US chip industry that the 1986 agreement only partly fulfilled.

Australia warns US over higher wheat subsidies

By Kevin Brown in Sydney

AUSTRALIA warned yesterday that relations between Canberra and Washington will be damaged if the US goes ahead with plans to increase export subsidies for wheat as part of an agricultural trade war with the European Community.

"Australia is not prepared to remain silent while its farmers are victims of this iniquitous trans-Atlantic trade war," said Mr Neal Blewett, the Trade Minister.

"Nothing so undermines the excellent relations between our two countries as the damage inflicted on our farmers and our economy by the use of accelerated export subsidies."

The subsidy war has intensified since the Uruguay Round broke down and the US Government recently asked Congress to lift the subsidy ceiling to allow larger export support payments. Mr Blewett's comments appeared to be intended partly to mollify Australian farmers, who have been pressing the Government to protect the wheat industry by guaranteeing returns to growers.

Ministers have resisted because government finances have already been hit by recession. There are also fears that price guarantees could encourage sheep farmers to switch to wheat following a collapse in the wool price.

However, the government is hopeful that the US can be persuaded to direct its subsidised exports away from traditional Australian markets, especially in the Middle East.

Farmers leaders warned that many growers would not plant crops for next year if returns for the current crop fall to A$115 per tonne.

Japanese share in NZ mill

A JAPANESE joint venture group, which has bought the cutting rights to 44,000 hectares of forest in New Zealand as well as a triboard mill, is to build another $NZ40m (£13m) processing mill, Dai Hayward reports from Wellington.

The company, Juken Nissho, has been formed by Juken Sangyo, which operates 11 timber mills in Japan, and the trading company Nissho Iwai.

The venture paid $NZ100m for cutting rights to a number of forests throughout New Zealand's North Island at the disposal of state-owned forests last year.

It has brought back into production the Kaitaia triboard mill, which had gone into receivership after the collapse of its 50 per cent shareholder Equiticorp.

Local forests can keep the mill operating to only 60 per cent capacity and the Japanese parent company, meanwhile, carried operating losses.

Row over Japanese cargo fee

THE EUROPEAN Commission is to investigate allegations that Japan is discriminating against international shipping lines by imposing a fee on cargoes through its ports, Andrew Hill reports from Brussels.

The fees go to creation of a harbour management fund, and are imposed on all cargoes passing through Japanese ports. Domestic carriers pay a fee 75 per cent lower than that imposed on shipping companies carrying international cargoes.

The European Community Shipowners' Association (ECSA) says harbour fund accounts for the year to September 1990 show about 96 per cent of the money collected came from international shipping lines and only 3.6 per cent from Japanese coastal operators. The ECSA says the scheme is costing EC companies $4.5m (£2.27m) a year.

The port charge was introduced in November 1989 to ensure a regular supply of dock labour and update the Japanese import distribution system, for example through setting up inland distribution centres. But ECSA claims the EC shipping lines it represents will not benefit from these.

The Commission has begun examining the allegations under a 1984 regulation which strengthened the EC's common commercial policy. The EC can take counter-measures, if it concludes the port charge amounts to "an illicit commercial practice".

ECSA claims the harbour management fund was authorised by Tokyo. But a Japanese official in Brussels said the dispute was a matter for the shipowners and the Japanese Harbour Transport Association, which collects the fee. The Japanese government would not intervene.

Shell signs contract to buy Algerian gas

By Deborah Hargreaves

SHELL International Gas, a division of the Anglo-Dutch oil group, has signed a contract to buy Algerian gas to market it through a joint-venture trading company in the US. The deliveries, involving 2.3bn cubic metres a year, are due to start between the middle of 1992 and 1993, pending US regulatory approval.

As part of the contract, Shell will buy gas from Sonatrach, the Algerian state company, through Sonatrading, Amsterdam BV, its Netherlands subsidiary. The gas will then be sold in the US through Cove Point Trading Company, a joint marketing partnership set up by Shell Oil and the Columbia Gas System.

● Joe Mann reports from Caracas: VEBA OEL of Germany and PDVSA, Venezuela's national oil company, plan to build a $3bn (£1.5bn) plant in Venezuela for converting extra-heavy crude oil into lighter, more valuable petroleum.

An agreement has been signed in Caracas under which the two oil companies will carry out a feasibility study on building a plant capable of converting 80,000 barrels a day of extra-heavy Venezuelan crude oil into lighter crude.

Veba and PDVSA have been equal partners in an important German petroleum refining and distribution company, Ruhr Oel, since 1983. Veba Oel, a subsidiary of Veba AG, is discussing investment in a new coal project in west Venezuela.

Go-ahead for Indian steel plant

By Gita Piramal in Bombay

ESSAR, the Bombay-based shipping and sponge iron conglomerate, is proposing to invest over Rs15bn (£405m) in a 1m-tonne-a-year integrated steel plant at Vijaynagar, in partnership with the Karnataka state government.

The Indian steel industry was nationalised soon after independence in August 1947, but this is the first time New Delhi has allowed a private sector group, albeit as a joint venture, to set up an integrated steel plant.

Essar won the project after six months' intense talks. Once it became known the government would allow the private sector to undertake project, a battle broke out among Indian business houses to secure the deal.

Though the Essar group has emerged victorious and the government accepted the group's Rs15bn offer, partly because it was the lowest bid, it seems unlikely that a steel plant of this size can be built for anything less than Rs27bn.

Mr Ravikant Ruia, one of the two founders of the 20-year-old concern, said: "Our offer is low because we are going in for cost-effective and tested technology. We will make the best use of equipment and, as we have proved with our sponge-iron plant, know how to keep a tight control over project costs".

The Essar group recently commissioned this Rs3.6 bn, 800,000-tonne-a-year gas-based sponge-iron plant. Its sales have boosted the group's overall turnover, which is expected to reach Rs4.3bn by March 1991.

If Essar manages to build the steel plant for Rs15bn, to raise such sums in today's volatile markets will be extremely difficult. But Mr Ruia says: "Several important clearances such as those for environment, import of capital equipment and foreign collaborations have yet to come through. By that time, the market will be more buoyant".

Now a precedent has been established, more licences are expected to be offered to the private sector. In hopes of this, over 20 Indian business houses have applied to set up similar plants. Some, such as the Mukand group, have extensive experience in steel. The applications are due to be examined by the end of April. At least five are likely to be approved.

Economic growth in India sluggish for second year

By David Housego in New Delhi

GROWTH in the Indian economy has slowed for the second consecutive year according to the Reserve Bank of India (the Central Bank).

According to its annual report on currency and finance produced in advance of the budget at the end of the month, the real growth in GDP during the financial year 1990-1991, will be between 4.5 and 5 per cent.

This compares with 5 per cent the previous year and an annual average during the previous five years of 5.6 per cent – the period of fastest economic expansion that India has recorded since independence.

The Central Bank's report, released yesterday, comes in the wake of recent increases in indirect taxes and import duties, and ahead of what is expected to be a deflationary Budget – all of which point to still slower economic growth next year.

Implicitly supporting a more deflationary macroeconomic policy, the bank warns of the dangers of rising fiscal and balance of payments deficits, and higher inflation.

It says that as of January 11, 1990, the budget deficit – defined in India as net Central Bank lending to the government – had reached Rs150bn, or more than double the level anticipated in the budget presented in March 1990.

It expects the deficit to fall by the end of the financial year in March as a result of tax increases announced in December, but still to remain high.

The bank warns of further balance of payments difficulties in the current calendar year. It says that "at best there could be only a marginal decline in the value of oil imports." It adds that "non-oil imports have been showing rising trends in the recent period."

The value of oil imports is expected to remain high because rising domestic consumption and falling domestic production will offset any decline in price which might result from the ending of the Gulf war.

The report points to a continuing acceleration in the rate of inflation with the wholesale price index up 10 percentage points in January over the rate in January 1990. This compared with a 7.3 per cent rate during the corresponding period of 1989-90.

Yesterday's figures show that wholesale prices are 12.5 per cent higher than a year ago.

The Bank's report shows that the slowdown in economic growth is due to a slowdown in industrial output. The Bank expects that industrial output will grow by 6-7 per cent during 1990-91, as compared with 8.6 per cent in 1989-90.

During the current financial year, there has been an uneven pattern of rising industrial growth in the first half but sharply decelerating growth in the second, as a result of civil disturbances, diesel shortages, import restrictions and higher taxes.

Assam rebels step up violence

By Kunal Bose in Calcutta

THE outlawed United Liberation Front of Assam (Ulfa) has stepped up violent attacks in the last few weeks, proving itself to be very much intact despite a massive army operation in the north eastern tea producing state of Assam since the end of last November.

On February 12, the manager of a tea estate belonging to the Macneill and Magor group, the biggest producer of tea in Assam, was killed in his office at Dibrugarh by two Ulfa activists.

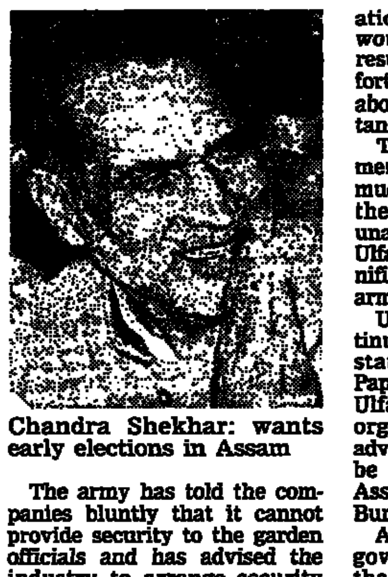
A few days earlier, there was an attempt on the life of a senior official of Warren Tea Ltd at Tinsukia.

Assam was brought under the president's rule on November 20, following the dismissal of the elected government.

The violence in the state last year brought tea production in the Assam Valley down by 3.46m kg to 339m kg.

There was also a fall in the quality of tea as the writ of managers no longer runs in the tea gardens, according to Mr Vijay Dudeja, a senior auctioneer.

Tea industry officials concede that most tea companies continue to pay ransom to Ulfa in order to be able to carry on their business.



Chandra Shekhar: wants early elections in Assam

The army has told the companies bluntly that it cannot provide security to the garden officials and has advised the industry to arrange security guards with local people who should be armed with "bows and arrows and other indigenous weapons."

This, however, is not going to deter Ulfa which enjoys a large measure of support among the local people. The industry would prefer to try and buy peace with Ulfa than confront its cadres.

The army says that its operation against the movement would have produced better results had the industry been forthcoming with information about the movements of militants.

The local police and government officials have not been much help either, according to the army, which has been unable either to catch senior Ulfa leaders or recover any significant caches of sophisticated arms.

Ulfa, according to some, continues to get protection from state government officials. Papers seized during raids of Ulfa hideouts show that the organisation knew well in advance that the army would be pressed into service in Assam and that the routes to Burma would be sealed.

Although a section in the government holds the view that the withdrawal of the army from certain parts of the state would create conditions for starting a dialogue with Ulfa, the army thinks it is premature to ask the soldiers to return to barracks.

Mr Chandra Shekhar, the Indian Prime Minister, would like to hold elections in Assam in April, but events in the state suggest that the schedule cannot be maintained.

Court rules on Hong Kong boat people

By Angus Foster in Hong Kong

HONG Kong's treatment of Vietnamese boat people has been questioned after a court ruled that a Vietnamese man seeking refugee status had not received a fair hearing.

The ruling is the second setback for the colony's government in recent months and has again focused attention on the controversial screening of boat people, designed to discriminate between economic and political refugees.

The decision may prompt other boat people who have been "screened out" as economic migrants to appeal, rather than volunteer to return to Vietnam.

This could further set back Hong Kong's plan to return 1,000 volunteer Vietnamese boat people a month.

Hong Kong was hoping to clear some of the backlog of boat people before the next sailing season starts in April.

But the numbers of volunteers has been falling and the government has blamed this on publicity surrounding the case.

In what may become a landmark ruling, Mr Do Giau won a judicial review which quashes the Hong Kong immigration department's decision that he was an economic migrant.

The immigration officer who interviewed Mr Do was found to have made a mistake which was later overlooked by a review body which handles contested decisions. His case will be reassessed.

Eight other boat people are appealing in similar cases which are due to be heard next month.

Japan steps up nuclear safety and testing procedures

By Robert Thomson in Tokyo

THE JAPANESE government yesterday announced that safety and testing procedures at the country's nuclear plants will be tightened, and that a special committee will investigate the cause of an accident last week at the Mihama power station.

There seems to have been no significant release of radiation at Mihama, in the coastal prefecture of Fukui, but the government has announced the measures to reassure the Japanese public about nuclear safety, and to ensure that an ambitious nuclear development programme be not undermined by opposition groups.

The Ministry of International Trade and Industry (Miti) plans to meet executives of power companies which operate pressurised-water reactors similar to that at Mihama.

The executives will be told to review past maintenance test results and to tighten inspection procedures.

Miti officials have found that a broken conveyer tube was responsible for the accident on February 9, but are yet to determine how the tube was broken or why previous inspections of the plant's equipment did not reveal faults.

The special committee will begin hearings tomorrow, and will be expected to advise the government on reforms of nuclear power safety.

Japan has 38 nuclear power stations, and hopes to build another 40 by 2010.

However, the programme has been delayed by the difficulty of finding acceptable sites for new plants.

Industrial production to increase

JAPAN's industrial and mining production will continue to grow strongly well into 1991, the Ministry of International Trade and Industry (Miti) said yesterday, AP-DJ reports from Tokyo.

In the annual report on industrial and mining production for 1990, the ministry said firm growth in production of both consumer goods and capital goods in 1990 means production "can be expected to increase firmly in the future". The report offered no specific predictions for growth.

The index of industrial and mining production grew 4.6 per cent in 1990, down from 6.1 per cent growth in 1989. That brought the index, in which 1985's level equals 100 points, to 125.4 points, up from 119.9 points in 1989.

But an official in Miti's statistics branch, which wrote the report, cited mathematical irregularities he said give a false impression that the pace of growth had declined in the year. The values of each months' index were averaged to calculate the yearly index, he said, adding that especially high values early in 1989 pushed that annual average higher than it should have been. The report's authors said that while 1989's index gained a 3.7-percentage-point boost from statistical irregularities, 1990's figure had only a 0.8-percentage-point boost.

Seoul cabinet shuffle amid scandal

By John Ridding in Seoul

MR ROH Tae Woo, South Korea's president, yesterday reshuffled his cabinet in an attempt to bolster the country's flagging economy and limit the political damage resulting from a housing scandal.

Mr Lee Seung Yun, deputy prime minister and the government's most senior economic official, has been superseded by Mr Choi Kak Kyu, chairman of the ruling Democratic Liberal Party's policy-making committee.

Mr Lee Sang Hee, construction minister, and Mr Park Seh Jik, influential mayor of Seoul, have also been removed. A reshuffle of the is expected today.

According to a spokesman at the president's office, the dismissal of Mr Lee Seung Yun reflects criticism of South Korea's high rate of inflation and the rapid deterioration of the country's trade account.

Inflation is at an official rate of just under 10 per cent, although most Koreans believe that consumer prices are increasing even more quickly. Last weekend, the Bank of Korea announced figures to show that the current account had fallen into a deficit of $2.1bn in 1990, compared with a surplus of $5.5bn in 1989.

President Roh Tae Woo: Calling for clean government

Mr Lee Seung Yun had held his post for less than a year. He survived a sweeping cabinet reshuffle at the end of last year in which the minister for trade and industry was displaced.

The rest of the new dismissals were related to a housing scandal in which the Hanbo group, a conglomerate with interests in construction, is alleged to have bribed politicians to win permission to build high-rise apartment complexes on green-belt land.

The scandal is regarded as the worst since President Roh took office in early 1988 and comes soon after the arrest of three national assembly members who had used contributions from lobby groups to make overseas trips. The chances of the ruling party in local elections, due in the first half of this year, are expected to be damaged.

Mr Chung Tae Soo, Hanbo chairman, and five opposition and ruling party members of the national assembly have been arrested over the last few days.

President Roh yesterday urged politicians to try to regain public confidence, which he said had been much damaged by the housing scandal. This had exposed the "systemic irregularities of society," he said, reiterating his demand for clean government.

Red ink stains South Korea's pride in its trade

John Ridding examines a sputtering east Asian export machine

THERE are certain dates in their recent history to which South Koreans refer with pride. The democratic presidential elections of 1987 and the staging of the 1988 Olympic Games are near the top of the list.

For economic officials, one of the most memorable dates is 1986, when Korea broke its long sequence of trade deficits to record its first surplus. This watershed reflected the dynamic performance of Korea's export industries and heralded a series of trade surpluses which, as a proportion of gross national product, had few international equals.

But, in 1990, the trade and current accounts found themselves back in the red. Figures released last weekend by the Bank of Korea revealed a swing of over $7bn to a deficit of $2.1bn. An even larger deficit is expected for the current year.

Of itself, the $2.1bn deficit does not cause too much concern. "I don't think the figure is too much of a problem," says Mr Park Won Am, a Fellow at the Korea Development Institute. He argues that it was largely the result of the increased prices of oil and petrochemical products which accounted for $8.8bn of last year's total imports of $65.1bn, compared with $5.7bn of 1989 total imports of $56.8bn.

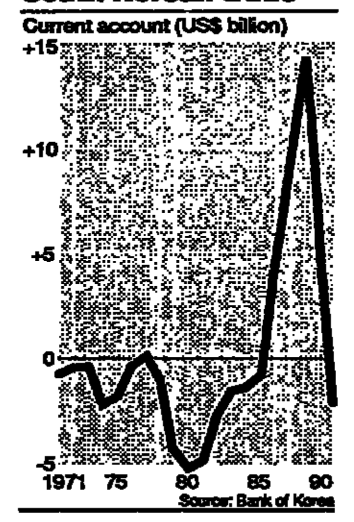
Moreover, the deterioration in the trade figures is not matched by the broader economic statistics. Real GNP growth of 6.5 per cent in 1989, and an estimated 9 per cent last year, was matched by only a few economies within east Asia, and none outside. The growth figures demonstrate the declining role of the export sector and the increased importance of domestic demand.

But what does cause concern is the speed of the swing into deficit. "In 1988 we had a trade surplus of $11.45bn. Last year we had a deficit of $1.8bn," says a senior official at the economic planning board. "That is much too fast, It reflects a disequilibrium in the economy and in the external sector.

It also reflects a distinct cooling in Korea's once-dynamic export machine. The double-digit growth rates of manufactured exports which Korea unleashed on foreign markets for much of the 1980s has fallen to meagre increases of 3 per cent in both 1989 and last year.

Of the principal causes, double-digit wage increases, currency appreciation, and the consequent loss in price competitiveness, are beginning to correct themselves. Labour cost increases, although higher than the official figures of about 9 per cent for the manufacturing sector, were relatively modest last year, while the deprecation of the yen in early 1990 is now also over.

South Korean trade



At the same time, however, demand in South Korea's principal markets continues to be sluggish. Exports of automobiles to the US, for example, amounted to $1.07bn for the first 11 months of last year – a fall of 28 per cent over the comparable period in 1989.

Moreover, improvement in export performance, in the short run at least, implies an increase in imports. For the first 11 months of 1990, imports of components and capital equipment, necessary to upgrade the quality of Korean manufactured goods and the productivity of the workforce rose by 18 per cent to $14.6bn.

The figures released by the central bank revealed uniform fortunes with respect to Korea's principal trading partners. Its surpluses with the US and EC both fell by about 50 per cent, to $2.42bn and $433m respectively, while its deficit with Japan ballooned by a similar proportion to $5.94bn.

The trends with both the US and Japan are causing concern. "We are trying to diversify our export markets, but we are still over-dependent on the US," says Mr Park. "Last year's figures show the impact we suffer when that market starts to slow."

At the same time, economic officials argue the need to find other sources, apart from Japan, for imports of capital equipment and components. "We are encouraging companies to diversify their sources away from Japan," says Mr Lee Duk Hoon, senior counsellor to the minister for economic planning, "but existing business links, the quality of their machinery and the after-service mean that most Korean businessmen still want to buy Japanese."

Just as the trade imbalance with Japan is expected to take time to improve, so too is the overall current account deficit. "We are forecasting a deficit of about $3.2bn this year, but think we will return to surplus in 1993," says Mr Park.

But last year's figures seem likely to herald the end of the large South Korean trade surpluses of the 1980s. "The surpluses of those years were excessive," says one EPB official, who argues that they caused problems of excess liquidity such as real estate speculation, inflation and unrealistically inflated share prices.

"Of course, we want to get back to a surplus," he says, "but not on the scale of before."

Pyongyang breaks off PMs' talks

NORTH Korea yesterday announced that it was breaking off high-level talks with South Korea, citing annual joint South Korean-US military exercises as the cause, according to North Korean radio reports, John Ridding reports from Seoul.

The talks, due next Monday in the northern capital Pyongyang, were to be the fourth round of dialogue between the prime ministers of the respective countries. The series of contacts, which started in September last year, has been the highest-level exchange between the two sides since the 1950-53 Korean war.

A statement on Radio Pyongyang, monitored in Seoul, said South Korea should take responsibility for cancellation of the talks. It blamed what it called "criminal" military exercises, and criticised the US participation.

South Korea's national unification ministry criticised the move. "We South Koreans are disappointed, and regret that the north hangs on to its die-hard negative attitude toward the talks."

The rupture of talks between the prime ministers leaves on-going negotiations on co-operation in international sporting events as the only contact between the two sides. This month, these talks had yielded a breakthrough when Pyongyang and Seoul agreed to form joint table tennis and football teams for international competitions.

South Korea's national unification board said it did not expect yesterday's announcement by North Korea to affect the sports talks.

The prime ministerial talks, which have taken place twice in Seoul and once in Pyongyang, have been symbolically important but have yielded little of substance. The last round, held in Seoul in December last, ended in deadlock after the two sides had failed to agree on a non-aggression declaration.

The annual South Korea-US "team spirit" military exercises have been a regular irritant in north-south relations. This year, the exercises are reduced because of the Gulf war.

South African budget increased by R2.8bn

SOUTH AFRICA'S Finance Minister, Mr Barend du Plessis, sought parliamentary approval yesterday for an extra R2.8bn ($1.1bn) to cover 1990/91 budget overruns, Reuter reports from Cape Town.

But he said no new loans or taxes would be needed and most of the additional funding would come from the government's R2bn contingency fund created last year to finance budget overruns.

Anticipated savings by some departments of R250m and income of R319m from the sale of stockpiled raw materials would also help cover the extra needs, Mr Du Plessis said.

He said the remaining budget shortfall would probably be covered by income in excess of planned expectations. "No extra taxes will be imposed, nor will additional loans be raised," he said.

The additional appropriation boosted estimated total spending for the fiscal year ending on March 31 to R72.9bn.

The largest increase of R579m was for improved salaries and conditions for civil servants and police.

Policing costs were boosted by R344m to R3.4bn, mainly due to widespread township fighting and a sharp rise in violent crime.

The budget for black education was increased by R217m to R2.8bn.

Referring to the stockpile sales, Mr Du Plessis said: "The easing in international attitudes towards South Africa has already reduced the pressure on such stockpiling and now enables some of these funds to go to socio-economic development."

The strategic stockpiles are believed to consist mainly of vast stocks of crude oil.

Details of the stockpiles are covered by strict secrecy laws which were enacted to protect South Africa's moves to overcome anti-apartheid sanctions.

Cape Verde elects former judge as president

FORMER supreme court judge, Mr Antonio Mascarenhas Monteiro, celebrated a landslide election victory, becoming the first freely elected president of this African archipelago, AP reports from Praia.

Mr Mascarenhas Monteiro sealed the end of one-party rule with his victory on Sunday over incumbent President Aristides Pereira, who had ruled since independence from Portugal in 1975.

Provisional results released by the National Electoral Commission showed Mr Mascarenhas Monteiro won 74 per cent of the vote after returns from more than 300 of the 515 precincts.

Mr Pereira acknowledged defeat. He wished his opponent the "best possible success in the nation's highest position". Mr Pereira, 67, hinted he would retire from politics.

Mr Mascarenhas Monteiro told supporters yesterday that his victory illustrated "the people have bet on change and democracy".

The former judge was backed in Sunday's vote by the Movement for Democracy (MPD), a newly formed party that swept to power last month in the nation's first pluralist legislative elections.

The MPD captured 56 seats in the new 79-seat legislature against 23 for the leftist African Party for the Independence of Cape Verde (PAICV) that had governed with Mr Pereira since independence.

A new government under MPD leader, Mr Carlos Veiga, took office on January 26 and is now expected to work with Mr Mascarenhas Monteiro to draw up a new democratic constitution.

First results from Sunday's election indicated an abstention rate of 38 per cent among the 165,000 registered voters. There were no reports of violence during the vote.

Complete results were expected only by Thursday, according to electoral officials.

Cape Verde was the first of five former Portuguese colonies in Africa to abandon the Marxist political and economic systems adopted in the mid-1970s. The governments of Angola, Mozambique and Guinea-Bissau have agreed to make similar reforms.

The people of Sao Tome e Principe also voted in legislative elections last month to oust the party that had ruled them for 15 years.

Mr Mascarenhas Monteiro, 47, joined the PAICV during the underground campaign against Portuguese colonial rule, but left the party in 1971. After exile in Belgium, he returned to Cape Verde in 1977 to follow a legal career. He was supreme court judge from 1980 to 1990.

Mr Pereira was a guerrilla leader during the war against Portuguese rule. As president he was widely credited for a lack of corruption and respect for human rights.

Tamil rebels kill 44 soldiers in ambush

TAMIL guerrillas killed 44 soldiers in the worst single attack on Sri Lankan security forces since the rebels began their fight for a separate state in 1983, military sources yesterday said Reuter reports from Colombo.

More than 200 members of the Liberation Tigers of Tamil Eelam lay in wait for two platoons of soldiers in the remote northwest Mannar district on Sunday. Two officers were among the 44 dead. Eight soldiers were wounded.

"The soldiers were marching on an open stretch of road with overgrown paddy (rice) fields on either side when they were ambushed," a military officer said.

He said some rebels were probably killed in the fighting but that as the guerrillas carry away their dead and wounded no firm figures were available.

The officer said a helicopter fired on the rebels as they withdrew, killing at least five.

The Tigers want to establish a homeland in the north and east for Tamils, who comprise 13 per cent of the island's 16 million people.

They accuse the majority Sinhalese-dominated government of discriminating against Tamils in language, education, employment and land use.

Bombings likely to hit air travel and tourist trade

By Paul Betts in London and Patrick Harverson in New York

THE terrorist explosions at two of London's largest railway stations are expected to have a dramatic knock-on effect on travel and tourist-related industries in the UK.

The attacks are likely to aggravate the decline in passenger traffic experienced by the country's airports and airlines following the outbreak of hostilities in the Gulf, increased terrorist threats and the general impact of the recession on air travel.

The bombings were yesterday followed by a telephone warning to Heathrow airport where all four terminals were evacuated after a caller with an Irish accent said four bombs were due to explode. British Airways said the number of bomb hoaxes had doubled yesterday, causing severe disruptions to some departing flights.

Yesterday in London, a city where the tourist industry relies heavily on American visitors, one US television reporter told his viewers: "Many people [in London] can't help but wonder what's next."

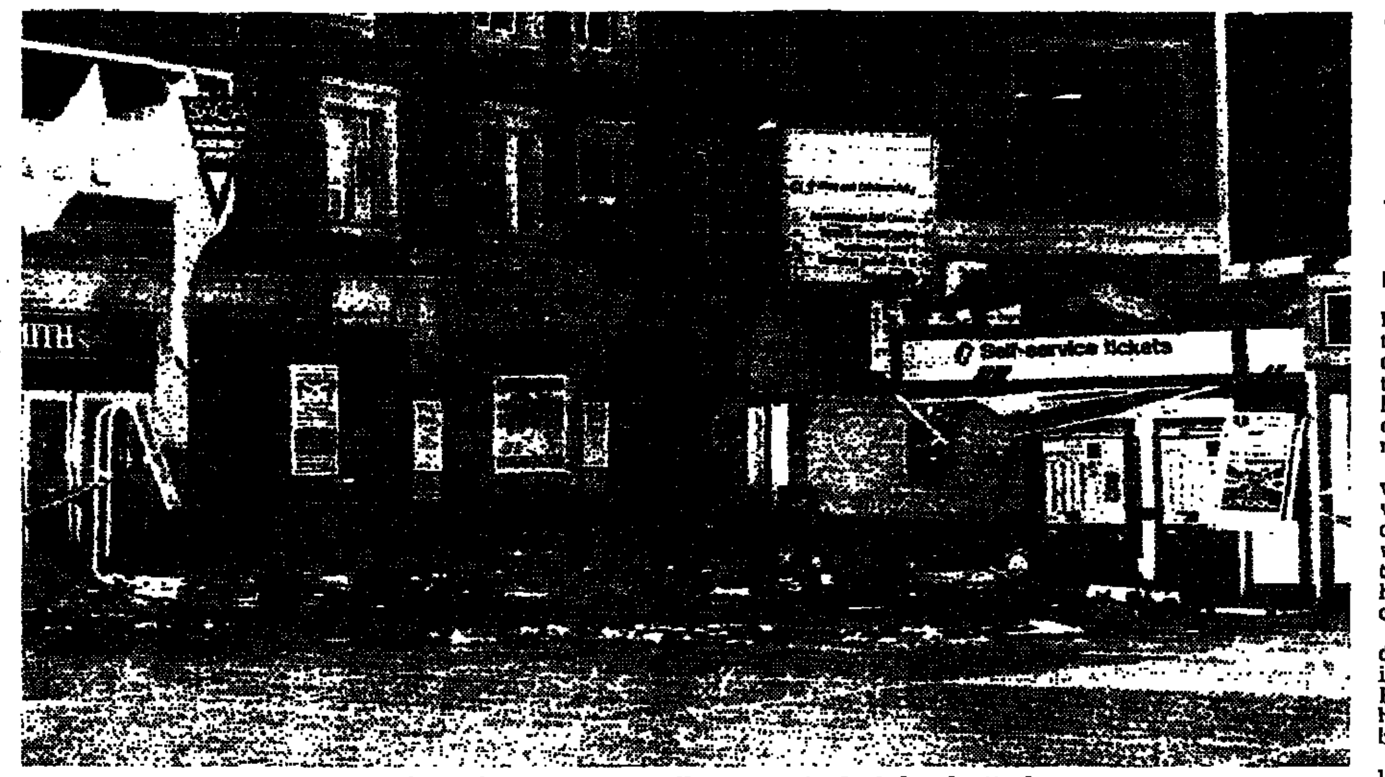
Although most travel agents in New York were shut yesterday for the Presidents' Day holiday, those that were open said the bombings would persuade even more Americans to stay away from London.

Mr Steven Heydt, senior vice president of marketing at Liberty Travel, one of the biggest US travel groups, said the news would have an impact on bookings to Britain: "It is one more reason why someone may not venture into the UK. There is no question about it, this is going to hurt."

Mr Heydt estimated that bookings by Americans to the UK have fallen by up to 80 per cent since the Gulf war started.

But the bombs at Paddington and Victoria Station are likely to have a broader effect on British civil aviation industry by reinforcing the public perception that London has become a dangerous international airline destination.

On a three-quarters empty flight from Tokyo to Gatwick last week, a Japanese air hostess asked whether it was still safe to go into London to do a little shopping. The mortar attack on Downing Street, widely publicised on Japanese television the day before, had led to a number of last minute cancellations on London-bound flights.



Debris lies scattered across Victoria station concourse following yesterday's bomb attack

International air traffic has fallen by between 15-20 per cent since the outbreak of war compared with the same period last year. Passenger traffic at BAA airports, Britain's leading airport operator controlling the main London airports, fell by 17 per cent in the first four days of the war.

Traffic at Heathrow has since declined by 22 per cent and by 18.5 per cent at Gatwick, London's second airport, in the two weeks immediately following the war compared with the same period last year.

The double impact of recession and terrorism has made the future extremely uncertain for the airline industry.

A study on the effects of terrorism on airline traffic by Mr Chris Tarry and Mr Peter Bergius, aviation analysts at Kleinwort Benson Securities, shows that it took between six to nine months for traffic to recover after the US bombing of Libya and the Chernobyl nuclear accident in 1986.

The number of passengers flying from London to New York dropped from 2.3m in 1985 to 2m in 1986, while Paris-New York and Frankfurt-New York reported similar drops.

Traffic bounced back, however, the following year to 2.3m passengers on the London-New York route and 2.4m in 1988.

The Kleinwort Benson analysts do not expect a similar rapid recovery to occur this time because the Gulf war is more serious than the US attack on Libya and the anticipated terrorist response is greater.

They also cite the traffic slowdown in the airline industry and the weak dollar as underlying problems which are expected to make a recovery on transatlantic flights more difficult. In the past a strong dollar has led to significantly greater traffic than a weaker one.

Attacks mark change of IRA tactics

YESTERDAY'S London railway station bombings by the Irish Republican Army (IRA) mark a sinister and surprising change of tactics by the terrorist organisation, writes Richard Donkin and Kieran Cooke.

The last time the IRA launched a mainland attack which directly endangered members of the general public was in December 1983 when six people died and 91 were injured in a car bomb attack on Harrods department store in Knightsbridge.

The outrage caused by the deaths in the Harrods bombing led to divisions within the Republican leadership and brought about a re-think in tactics and a switch to military and political targets.

In recent months Sinn Fein, the IRA's political wing, has repeatedly emphasised that the IRA's campaign is against what it calls military and establishment targets. Mr Gerry Adams, president of Sinn Fein, has urged the IRA to "Think, then think again" before launching attacks that might injure civilians.

Although in June 1990, the IRA bombed the International Stock Exchange in the City: that attack appeared to be part of the IRA's strategy of targeting establishment institutions, rather than places used by the general public.

Yesterday's bombings indicate that IRA hardliners who have been arguing for a return to high profile terror tactics, as used in the 1970s and early 1980s, may have gained the upper hand.

The recent use in Northern Ireland of proxy bombs - with civilians who carry out work for the security forces made to drive car bombs at military targets – demonstrated just how ruthless the IRA could be.

The theory behind a broadening of IRA targets was outlined in an interview with an IRA member which appeared in last week's issue of An Phoblacht, the republican movement's newspaper.

The so called "volunteer," asked why the IRA had firebombed shopping complexes and stores in Northern Ireland in recent weeks, said the tactic was to "chop and change guerrilla tactics."

He said: "We will spread the Crown Forces (the IRA's term for the security forces) into guarding as many areas as possible and stretch them to the utmost. We will nibble and bite at them from every angle. We will not allow them to set the agenda or chose the field of battle...we will not let them contain the fighting."

In the past the IRA – which says it is fighting to establish a new Irish state and against the presence of British troops in Ulster – has often grouped attacks within a few days or weeks, then gone to ground for a long period before striking again.

Yesterday's bombings were consistent with this pattern. Intelligence sources in the Irish Republic and Northern Ireland estimate that three or more IRA "cells" are now operating on the mainland.

Railway stations in London were last targeted by the IRA in the 1970. In September 1973 a blast at Victoria station ticket office injured five people.

The same month eight people were injured in an explosion at Euston station in north London and five were hurt when a bomb went off at a booking hall at nearby King's Cross station.

Earlier that year two bombs were defused at Baker Street tube station. In October 1975, one man was killed and 20 people were injured when a bomb exploded close to the entrance to Green Park tube station.

In March 1976, an underground train driver was shot dead after he chased a gunman moments after a bomb exploded in a train carriage near West Ham. Nine of the train's passengers were injured by the bomb.

A few days later a man was injured by a bomb on a tube train in north London.

Ten days ago, the IRA launched its mortar attack on Downing Street. Yesterday came the railway station bombs. Other attacks, virtually anywhere at any time, could follow.

The police and military face a virtually impossible task. They are already stretched to guard against possible Gulf related terrorist attacks.

Now the IRA has announced it is ready to broaden its campaign: the list of targets has grown. The danger to the public has increased greatly.

The global image of London takes yet another blow

By Financial Times Reporters

HARDENED by the snows of the past fortnight, London commuters took the disruption to yesterday morning's rush hour in their stride and most of them made it to work by one means or another, even if late.

But if "business as usual" was the theme of the day, some voices wondered whether the cumulative blows – recession, war, fear of terrorism, and now the real thing – might not have a longer term effect on confidence and the economy.

Mr Peter Bates, marketing director of Savoy Group, which includes the Savoy, Claridges, Berkeley, and Connaught hotels, said yesterday's bomb had little immediate effect.

"But what with the high dollar, assassination attempt on the prime minister, and the weather – even before yesterday's bombs – all we need now is a plague of locusts."

The Retail Consortium, speaking for the sector which was the first to feel the effects of recession, said: "The uncertainty created by the Gulf War, job losses, and business failures has been a key factor in limiting retail sales.

"Since January we have had the additional problem of the snow which has had catastrophic consequences for some retailers and this morning's outrage is certainly not going to help retail sales in city centres," it added.

WH Smith, whose shop at Victoria station was damaged by the blast, said that in general the dreadful weather of the past few weeks had created more disruption to trading than the threat of terrorism.

In the City, the Stock Exchange reported business as usual. Most dealers had been at their desks before the Victoria bomb prompted the closing of other mainline stations. Lloyd's said the underwriters' floor was "rather quiet."

National Westminster Bank said absenteeism was minimal. "It just goes to show that people make a superhuman effort to get to work," the bank said. Abbey National, homes loans and savings institution, said only one of its London branches, in Victoria, failed to open.

Many British Telecom staff did not make it to work and those who did were released early to trek to suburban railway stations to catch trains home. The company said: "There is no sign of depression, people are more determined to carry on."

London's pub landlords said the threat of terrorism in the capital had caused no noticeable disruption to business, although takings at some central London pubs may have been affected slightly by the lower numbers of tourists.

Mr Michael Hirst, chief executive of hotel group Hilton International, said companies had made block bookings yesterday "to ease the way for staff faced with travel disruption." The situation "was not as bad as people claimed," he said.

Keith Prowse, London's biggest ticket agency, said demand for tickets was "about the same" as last week, and that occupancy had picked up after the initial slump when war started. There were "some return" tickets for Phantom of the Opera, the Andrew Lloyd Webber musical, which were snapped up by the usual queue outside the theatre.

Most London courts operated normally after a delayed start. At the Old Bailey, the Central Criminal Court administrators said 90 per cent of the courts were sitting by mid-morning with only two trials having to be relisted because of problems experienced by jurors and witnesses getting to court.

The St James's headquarters of GKN, the automotive components group, is no stranger to the effects of central London bomb attacks. The Carlton Club, which was bombed last year, is only a few hundred yards away.

Nevertheless there was an air of disquiet among some staff yesterday afternoon. One secretary said: "We are closing down in a minute, everyone is rushing to get out of London as fast as possible."

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Travel group plans 10% cut in pay

By Michael Smith, Labour Correspondent

THOMAS Cook, the travel services group, is to implement pay cuts of up to 10 per cent for its 7,500 UK employees in a package of measures to cope with a sharp fall in business.

The package, which aims to reduce the pay bill by about 15 per cent, was presented to staff yesterday as an alternative to widespread compulsory redundancies and is likely to prove acceptable.

It comes just a month after the company announced performance-related pay rises averaging 11 per cent.

Few companies have attempted to cut the pay of their employees in the current recession, and Thomas Cook, a subsidiary of Midland Bank, is the largest and best known company to attempt it so far.

The move shows the increasing problems that the recession and the Gulf War are presenting to travel companies. Thomas Cook said the current trading environment is one of the most difficult the industry has faced.

The pay cuts, to take effect from March 1 to the end of the year, will hit the highest paid hardest.

Senior managers in Thomas Cook UK, numbering about 20, will see their pay cut by about 10 per cent. The lowest paid employees will suffer a reduction in pay of about £3 a month, or 1 per cent of earnings.

Thomas Cook estimates that the pay cuts will save about 250 jobs in the UK.

Other initiatives to cut the £80m annual pay bill in the UK by £15m include encouraging early retirement and voluntary severance on special terms and asking full-timers to work part-time.

Isola Werke gives negotiating rights to AEU engineering union at Scottish plant

Union hails German factory deal

By Michael Smith, Labour Correspondent

ISOLA WERKE, the German electronics company, is to give negotiating rights to the AEU engineering union at its plant in Cumbernauld, Scotland.

The deal was hailed yesterday by the union as a breakthrough - for the first five years of the plant's operation, workers were not represented by a union.

Mr Jimmy Airlie, AEU executive member, said unions had not been very successful in organising the workforces of foreign companies investing in the UK.

The agreement was achieved after the union signed up more than half of the plant's 170 employees as members. Mr David Heywood, the plant's technical manager, said companies risked confrontation if they did not recognise unions to which most of their employees belonged.

Under the agreement a works council will, as before, have sole representational and negotiating rights for all staff except management.

However, unlike before, a proportion of the council's membership will be elected through the union, and if the works council and management cannot agree a pay deal, full-time union representatives may be called in.

The company said about 60 per cent of its workforce had joined the AEU. Accordingly, they would represent about three fifths of the employee seats on the council.

Mr Heywood said there had been nothing confrontational in the union's approach to the company.

He added that he would have been proud to have written large parts of the agreement the AEU had proposed.

The agreement states that the union will demonstrate commitment to the achievement of the company's objectives through its adaptability and co-operation.

For example, shifts and patterns of work may be changed to meet operational needs.

The company has agreed to encourage employees to join the union and will deduct trade union membership subscriptions from wages.

THE HOUSE OF COMMONS

Tories indignant at Iraqi media 'success'

By Ivo Dawnay, Political Correspondent

CONSERVATIVE backbench MPs yesterday attacked the media over coverage of the Gulf war following news reports in Britain regarded by some as successful manipulation by Baghdad of civilian casualties.

Several Conservative MPs called on Mr Douglas Hurd, the foreign secretary, to insist that all reports are more clearly signposted as being censored by the Iraqi authorities while one argued for the immediate withdrawal of all reporters from UN coalition countries.

They were joined by Mr Dale Campbell-Savours, a Labour backbencher, who demanded more coverage of Iraqi Scud missile attacks on Israel and Saudi Arabia and alleged "crucifixions" and other atrocities in Kuwait.

The concern was clearly fuelled by criticism in the popular press of television pictures of last week's bombing of an alleged command bunker which killed Iraqi civilians.

Mr Hurd, however, made clear that it was not for the government to dictate to broadcasters or newspapers what they should report.

He added that it was nevertheless "very important" that the media made clear which reports were censored.

The outbreak of anger from the backbenches comes after Mr John Major, the prime minister, last month signalled a significant turnabout in the government's relationship with the media.

In a widely reported Commons question, he slapped down a backbench critic of the BBC by praising the work of news reporters in the Gulf and underlining that free speech was one of the values for which the UN allies were fighting.

Broadcasters are adamant that they are co-operating fully with the government in daily discussions with Downing Street, the Foreign Office and the Ministry of Defence.

So-called "health warnings" of Iraqi censorship are carried before, after and where possible during all reports out of Iraq, an ITN official said last night.

Furthermore, there had been no complaints from the government over coverage though some representations had come from individual MPs.

● A REBELLION by Conservative MPs could today force the government to make concessions on providing "political risk" insurance for exporters after the planned privatisation of the Export Credits Guarantee Department.

Tory backbenchers have supported an amendment which obliges the government to guarantee for at least three years the provision of insurance to companies exporting to countries affected by political uncertainty. It would cover exports to countries such as the Soviet Union or Hong Kong.

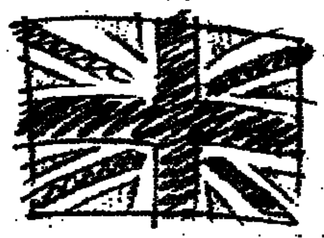
The Labour opposition party is also expected to back the amendment which is likely to be moved today or later this week during the House of Commons' committee stage of the bill paving the way for the privatisation of ECGD's short-term credit division.

The row comes as Mr Tim Sainsbury, trade and industry minister, attempts to speed the bill's passage through Parliament. So far MPs on the committee have considered only one out of 15 clauses in the bill.

However, the weight of amendments appears to have thwarted his hopes of completing the bill's committee stage this week by sitting in the afternoon and late into the evening.

The change would give the Department of Trade and Industry responsibility, via the part of ECGD remaining in the public sector, for providing insurance or re-insurance of "political risk" for a minimum of three years after the privatisation is completed. Previously, Mr Tim Sainsbury has said the situation would be kept under review.

BRITAIN IN BRIEF



Retail sales fall despite price cuts

Sales volumes on the high street fell sharply last month in spite of aggressive discounting by Britain's retailers to stimulate trade.

The biggest price cuts for more than 30 years in clothes and household items, revealed by last week's retail prices index for January, failed to lift volumes at all, according to provisional figures from the Central Statistical Office. Instead, there was a drop of 1.4 per cent – the second-largest monthly fall for 10 years and worse than the City expected.

The figures were the fourth set in a row to show retail volumes at levels below those recorded in the same month a year earlier, confirming the results of a survey by the Confederation of British Industry and the Financial Times, showing falling sales in the high street and retailers expecting even worse demand conditions to come.

Ronson may be freed on Friday

Mr Gerald Ronson, chairman of Heron Group, is expected to be released from Ford open prison in West Sussex, southern England, on Friday after serving just under half of the 12-month sentence imposed for his part in the Guinness affair.

Mr Ronson was jailed and

Gerald Ronson: release expected soon

fined a record £5m last August after being convicted of conspiracy under the Prevention of Fraud (Investments) Act, the theft of £2.875m from Guinness and two false accounting charges. He had denied all the charges.

Mr Ronson was given nine months to pay the fine and £440,000 – a third of the prosecution costs – after the court had been told that he would have to realise assets, which he would not be able to do while in jail.

Patten dampens poll speculation

Mr Chris Patten, chairman of the ruling Conservative party, has again sought to dampen expectations of an early general election.

"I am not going to encourage any speculation that railroads us into taking the sort of decision which wouldn't be in the national interest," Mr Patten said.

Mr Patten added that a policy group exercise was nearing completion. Its conclusions would be reviewed and would then form the basis for policy statements in the coming months as well as for the election manifesto.

BR implements 25% rise

British Rail is to start implementing a pay offer on March 31 which would add 25 per cent to basic wages for 7,800 signals and telecommunications staff.

Richard Rosser: opposes 25 per cent pay rise

The pay offer has been opposed by unions, who have argued that the 25 per cent increase in basic pay is deceptive because the flexible rostering provisions would reduce overtime earnings of some staff far more than that figure.

Mr Richard Rosser, Transport Salaried Staff Association general secretary, said he believed TSSA members had accepted the offer because of the prolonged negotiations leading up to it. He said the reality of the offer was that many people would earn no more.

House prices remain static

The freeze in British house prices is continuing in spite of mortgage interest rate reductions announced last Autumn, according to a survey of estate agents published by the Royal Institutions of Chartered Surveyors.

"Throughout the country a severe lack of confidence is serving to freeze activity," the institution said, "the only exceptions being first time and cash buyers who are taking advantage of the difficult market."

Only two per cent of the 138 estate agents responding to the survey reported price rises during the three months to the end of January.

Forty per cent said that prices had fallen and the rest said prices were had remained static.

£5bn public sector surplus

Britain's public sector finances recorded an unexpectedly high surplus of £5bn in January, raising hopes that the UK may complete the 1990-91 financial year to the end of March without moving into budget deficit.

The January figures meant that Britain ran a budget surplus of £2.6bn over the first 10 months of the financial year, according to provisional government estimates, compared with a £8.7bn surplus in the same period of 1989-90.

That the government's finances were in surplus at all was because of the proceeds of various privatisations.

Truck sales decline sharply

The decline in sales of new commercial vehicles accelerated in January with registrations falling 30.5 per cent to 20,131 from 28,944 a year ago.

Commercial vehicle sales in 1990 were 20.9 per cent lower than the year before at 293,473. The Society of Motor Manufacturers and Traders said the continuing decline was "extremely serious" and warned that it was "likely to continue until interest rates fall".

Trade unions woo nurses

The drive to recruit student nurses into trade unions increased yesterday with three of Britain's public sector and health care unions signing a joint agreement with the National Union of Students to recruit and represent people on Project 2000.

Project 2000 involves nurses attending colleges of further education for the bulk of their training rather than mainly on hospital wards. Some 20,000 nurses are already on the scheme but their numbers will increase to 60,000.

Mr Rodney Bickerstaffe, general secretary of the

Rodney Bickerstaff: welcomed co-operation

National Union of Public Employees (Nupe) said, "This agreement reinforces the long tradition of close co-operation between Nupe and the NUS in campaigning against educational cuts."

The agreement was between Cohse, Nupe and Nalgo, the largest public sector and health care unions, and the NUS.

FT LAW REPORTS

Insurance boycott is suspended

RE INSTITUTE OF INDEPENDENT INSURANCE *BROKERS*
Restrictive Practices Court
(Mr Justice Warner, Mr B M Currie and Mr L Britz):
February 5 1991

THE BOYCOTT *of an insurance company by brokers on the recommendation of their "services supply association", is deemed to be an agreement to restrict trade and may be suspended by the court pending final order on a reference by the Director General of Fair Trading, if there is no reasonable prospect that the brokers will be able to counteract the director's strong prima facie case that the boycott restricts or discourages competition and would cause material detriment to the insurance company, and that it is not reasonably necessary to protect the public, to counteract measures to restrict competition, or to enable association members to negotiate fair terms in the market.*

The Restrictive Practices Court so held when granting an application by the Director General of Fair Trading for an interim order restraining the members of the Institute of Independent Insurance Brokers (IIB) from boycotting General Accident Fire and Life Assurance Corporation pending final *order on a reference under* the Restrictive Trade Practices Act 1976. The respondents to the application were the IIB and two of its members and directors, Mr Burnell and Mr Pridmore.

MR JUSTICE WARNER said that between June 5 and October 1 1990 Ford Motor Company and General Accident operated a scheme under which each purchaser of a new Ford Fiesta, Escort or Orion was provided with free motor insurance for one year.

The scheme had been arranged through insurance brokers, the Willis Group. It aroused much hostility among insurance brokers and intermediaries.

On November 9 the IIB handed documents to the Office of Fair Trading for registration under the Restrictive Trade Practices Act 1976, including a board resolution that if insurers engaged in practices "likely to de-stabilise the UK insurance market" it would recommend a boycott.

At a meeting organised by IIB attended by 500 insurance brokers and intermediaries, strong support was expressed for a boycott of General Accident unless it undertook not to underwrite further schemes for motor manufacturers.

On December 4 the IIB wrote to about 12,000 insurance brokers and intermediaries recommending they should cease placing business with General Accident from January 1 1991, and make every effort to rebroke existing business. The boycott was to last for initially for six months, and would be reviewed.

On December 6 the IIB notified the Office of Fair Trading of the terms of its letter of December 4.

On December 17 notice of reference was issued in respect of the registered agreement. On the same day the director made the present application for an interim order.

Section 3(3) of the Act provided that the court might make an interim order if satisfied that three conditions were fulfilled.

Under section 3(3)(a), the first condition was that the *restrictions* were such as were mentioned in section 1(3), ie were restrictions by virtue of which the Act applied to the registered agreement.

Where specific recommendations were made by a service supply association to its members as to action to be taken by them in relation to designated services, including insurance services, the Act had effect as if each member had agreed to comply with the recommendations (see sections 16(3) and (4), 11 (1)(b); also SI 1976 No 98). The IIB was a "services supply association" as defined by section 16.

It followed that there was a deemed agreement to which the Act applied.

Under section 3(3)(b), the second condition was that the restriction "could not reasonably be expected to be shown to fall within any of paragraphs (a) to (h) of section 19(1)". In other words that it could not reasonably be expected to pass through any of the "gateways" in that subsection.

The IIB relied on the four gateways in paragraphs (a), (c), (d) and (h) of section 19(1).

Gateway (a) was that the restriction was "reasonably necessary" to protect the public against injury in connection with the use of the services or of goods in relation to which those services were supplied.

There was no reasonable prospect of the IIB being able to persuade the court that the boycott could be justified on that ground.

Gateway (c) was that the restriction was "reasonably necessary" to counteract measures taken by a non-party to the agreement, with a view to preventing or restricting competition.

The court was told that in the UK there were 347 insurance companies authorised to do motor business, with 82 per cent of the market between them, the other 18 per cent being represented by Lloyd's policies. General Accident's share of the market was less than 10 per cent.

It could not reasonably be expected to be shown that measures by General Accident were taken with a view to preventing or restricting competition, though that might be an effect of direct selling. The boycott could not reasonably be expected to be shown to pass through gateway (c).

Gateway (d) was that the restriction was "reasonably necessary" *to enable a party to* the agreement to negotiate fair terms for obtaining services from anyone who controlled "a preponderant part of the trade or business"; or for the supply of services to a person not party to the agreement and not carrying on such a trade who alone or "in combination controls a preponderant part of the market for such services".

On the facts about General Accident's share of the UK motor insurance market, it could not possibly be held that General Accident controlled a "preponderant" part of the business in that market, particularly as the IIB itself had demonstrated, by instituting the boycott, that its members did not need to resort to General Accident's services.

Nor was there an element of combination. "Combination" in paragraph (d) connoted at least some degree of co-operation between the persons concerned, and there was no such suggestion in this case.

There could therefore be no reasonable expectation that the IIB would succeed under (d).

Gateway (h) was that the restriction did not directly or indirectly restrict or discourage competition to any material degree in any relevant trade or industry and was not likely to do so".

The boycott did directly restrict or discourage competition to a material degree, in that it sought to exclude a major insurance company from doing business through brokers and intermediaries; and it indirectly discouraged competition to a material degree in that it must, as it was intended to do, discourage insurance companies from adopting a particular form of competition, namely the offer of insurance cover through schemes of the kind arranged by General Accident and Ford.

The court was satisfied that the second condition, under section 3(3)(b), was fulfilled.

The third condition, under section 3(3)(c), was that operation of the restriction during the period likely to elapse before a final order could be made under section 2(2) was likely to cause material detriment to the public or section of the public, or to a particular person not party to the agreement. The court was satisfied that operation of the boycott during the six months would cause material detriment to General Accident.

Under section 3(3), if the court was satisfied that the three conditions were fulfilled, it "may if it thinks fit make an interim order". It had a discretion.

So far as the director sought an order against the IIB itself it was right in all the circumstances to make the order.

Mr Burnell and Mr Pridmore had been joined as respondents on their own behalf and as representing all IIB members. The court had power to grant an injunction including an *ex parte* injunction against the represented members.

An order was made restraining the respondents from (i) giving effect to or enforcing the restrictive agreement; and (ii) making any other agreement to which the Act applied to the like effect. There were no special circumstances to cause the court to require the director to give a cross-undertaking in damages. He had a strong *prima facie* case.

For the IIB: Alexander Layton (Bevan Ashford, Exeter).

For the Director General: Stephen P Richards (Treasury Solicitor).

Rachel Davies
Barrister

MANAGEMENT: The Growing Business

No stoppering for Huggie's problems

Charles Batchelor reports on a liquidation


David Vint: at least £70,000 out of pocket

When Vint Industries, a small manufacturer of a revolutionary new wax-filled hot "water" bottle, went into liquidation in November it had swallowed up more than £400,000 of its backers' finances and more than three years' determined effort by its founder, David Vint.

The story of the Huggie* provides a graphic picture of the difficulty of establishing a manufacturing company from scratch and of the problems which the venture capital industry faces in backing such businesses.

The Huggie, designed to provide a safer alternative to the traditional hot-water bottle and the electric blanket, lives on. In marketing terms it was a resounding success and the name, the patents, the moulds and the tooling have been bought by another company which plans a relaunch.

But David Vint is at least £70,000 out of pocket and Seed Capital, a small Henley-on-Thames-based venture capital fund, has written off its entire investment of more than £50,000. At its peak, Vint Industries employed 18 at its factory in Crickhowell, mid-Wales, and they have had to look for new jobs.

It was in 1987 that David Vint, a former marketing manager with no previous experience of manufacturing, first approached Lucius Cary, managing director of Seed Capital, for funds. Cary, who spends his professional life looking for just this sort of project, said he would put in £5,000 to help Vint build a prototype.

By July 1988 the prototype was ready and it met an enthusiastic response from the publisher of a mail order catalogue specialising in innovative products. Seed Capital put in another £20,000. The Huggie went into the catalogue in time for the 1988 Christmas season priced at £19.95.

The catalogue publisher offered to pay Vint Industries £8 per Huggie. But this was what David Vint had estimated manufacturing costs to be so the catalogue agreed to pay £9.

It was then that Vint Industries' problems started. "It soon became clear that our manufacturing costs would be £17 a bottle, not £8," says Cary, who joined Vint Industries board as chairman. "The Huggie was selling extremely well and all my instincts about the saleability of the product were confirmed – but the manufacturing costs were miles adrift."

Cary believes that in retrospect Vint had not been thorough enough in his costings. Component suppliers had quoted 50p for an item over the phone but when the bill arrived it would be for £1.50. Vint Industries was forced to take on more of the manufacturing itself.

Despite this problem, 2,000 Huggies were sold in the 1988 Christmas season; in 1989 more money was raised and the company moved from a single room in Byfleet, Surrey, to a 6,000 square foot factory in Crickhowell. Production was stepped up throughout 1989; continual refinements brought down production costs to £9 per Huggie; and a further 28,000 were sold in 1989.

The retail price was increased to £24.95 but Vint Industries was still only able to sell to retailers for about £10.50 a time, a sum insufficient to cover overhead as well as production costs.

But the numbers were not the only thing that was wrong. Despite rigorous testing of the bottles in the laboratories of a large rubber products manufacturer and assurances from the UK supplier of the German-made thermostats, a large number of Huggies were returned as faulty. Many of the thermostats did not work properly while the wax oil filling started to penetrate the rubber skin of the bottle if it was stored for a time.

Vint denies these problems arose because of his own lack of experience with manufacturing. He says he should have been able to rely on the assurances of his suppliers that their products would be suitable. Cary agrees. "In a small company it is difficult to check everything," he says. "You assume that if you get something from a supplier that it will work."

With 30,000 Huggies sold in the first two seasons Vint took the view that production needed to be expanded further – to meet demand and to bring down unit production costs. Attempts to raise £500,000 of Business Expansion Scheme finance were unsuccessful, however.

Cary was sceptical about the expansion plans. He thought the business should be shut down and the Huggie redesigned from scratch. The other investors in Vint Industries, mostly private individuals, agreed to put up a further £125,000 but Cary, who had already provided more than £50,000, refused to inject any more money and in February 1990 he resigned as chairman.

The final injection of funds proved insufficient and Vint Industries was sold for a nominal sum last year. Vint and the new owner had originally hoped to pay off creditors from the proceeds of a court case he had started against one of his suppliers but some of the creditors could not wait and in November Vint Industries went into liquidation.

The assets of the business have since been bought by a small company in the DIY field. Vint is now working with the company, which he prefers not to name, to relaunch the Huggie.

Vint believes that, apart from the technical problems he encountered, one reason for the failure of the business was the short-term thinking of his investors. "They are not prepared for the learning curve that start-ups go through. If we had had £200,000-£300,000 more I think the product would have been a best-seller around the world."

Unlike many of the companies which have gone bust in recent months Vint Industries' problems were not brought on by the deepening recession though David Vint feels the downturn may have contributed to his inability to raise extra funds.

Cary believes that Vint got carried away with his own enthusiasm. "I think he was over-optimistic though I was at fault for giving him too much of the benefit of the doubt," he says. "With hindsight the company was trying to break too much new ground."

The two men still agree on one thing – the potential for the Huggie. "We were just weeks away from totally cracking it," says Vint. "If you could produce it for £5 you would be making profits of £1m a year," comments Cary. "But we didn't get there."

*See also this page October 24 1989.

Patently a better system?

Charles Batchelor reports on a test of the efficacy of a new court

Lap-Tab, a Birmingham metal finishing company with turnover of £750,000, is set to become the first company to test whether Britain's first patents county court can deliver a cheaper and more efficient service for resolving disputes over intellectual property rights.

The new court has been set up to provide a specialised, low-cost alternative to the High Court, where litigants may have to wait years for a hearing.

Justice should be faster and cheaper because litigants will be able to use patent agents rather than barristers to put their case and because as much evidence as possible will be presented in written form rather than explained, at great expense, in open court. The aim of the court is to reduce the amount of "discovery", or searches through the records, to the minimum and to eliminate the discussion of irrelevant issues.

The new court is intended to make it easier for inventors and small and medium-sized companies to defend their own patents or challenge those taken out by others. It is, however, not restricted to litigants of modest means and large companies are behind many of the cases already listed for hearing. There are no restrictions on the sums the court can award or on the complexity of the cases it can hear.

Costs of the new court could be as low as one third of those in the High Court, according to Oliver Maland, joint head of intellectual property at solicitors Clyde & Co. A patent hearing in the High Court could cost anything from £100,000 up to £1m, he estimates. A case of similar complexity in the county court might cost from £35,000.

The court, which was established last September, is due to sit on April 10-12 to hear Lap-Tab's claim that another company, Pullway, infringed a patent taken out in 1984 on a locking device designed to prevent the removal of a telephone plug from its socket.

The court, based at Wood Green, north London, has spent the past five months dealing with the preliminary stages of the 30 cases which have come before it but Lap-Tab against Pullway is expected to be the first case to come to trial.

Speedy trial

The Lap-Tab/Pullway dispute was originally put down for a hearing in the High Court but Marie McMorrow of Wragge & Co, the Birmingham solicitors acting for Lap-Tab, transferred it to the county court to get a faster hearing. "We would have been lucky to get a High Court hearing before the autumn," she says. This was despite a direction from a High Court judge in a preliminary hearing last August that there should be a speedy trial.

By reducing the time taken to solve disputes the patents county court should save small businesspeople involved in patent disputes stress as well as money. Roger Murphy, a director of Lap-Tab, which has 20 employees, has spent £20,000 and the past nine months working on the defence of his patent. "It has been a very fraught period," he says.

The creation of the patents county court has already begun to have an impact on the way people view patents, says Bill Caro, president of the Chartered Institute of Patent Agents. Two threatened cases against clients of his were called off when the other side realised that their cases might be defended in the court.

It is now less easy for a large company to face down a small business over a patent knowing that the smaller firm could not bear the expense of defending itself in the High Court. "They realised my clients could go to the county court," says Caro.

But much will depend on how Judge Peter Ford, judge of the court, interprets the guidelines which have been laid down for the court. Judge Ford is a former chairman of the appeals board of the European Patent Office in Munich and was involved in landmark decisions on issues such as software and drug applications. In preliminary hearings he has taken a brisk approach to cases. "He took a very active part and indicated he wanted a businesslike settlement of the procedural issues," says Keith Beresford, a patent agent.

The success of the court will depend on the judge keeping tight control of proceedings so that solicitors do not tie up the court in procedural issues, warns Oliver Maland. The Chartered Institute of Patent Agents is running training courses to familiarise its members with court procedures.

The attitude of the Court of Appeal to patents county court judgments will also be important. "If the Court of Appeal decides the patents court is a waste of time it could emasculate it," comments Maland.

Some solicitors doubt whether the new court will reduce costs by as much as is claimed. "Litigation is a specialist business and very few patent agents will want to become involved," says Gordon Harris of Wragge & Co. "The people who are specialists in court presentation, the barristers, will continue to appear."

Expectations

Previous attempts to simplify and increase the ordinary man's access to the law have not always been successful. It is not uncommon for barristers to appear for parties involved in disputes before small claims courts and industrial tribunals. Inventors and small businesses will be hoping that the patents court manages to live up to their and its founders' expectations.

**A Users' Guide to the court is available from The Chief Clerk, Patents County Court, The Law Courts, Lordship Lane, Wood Green, London N22 6LF. 36 pages. Free.*

In brief...

■ Small businesses in Scotland and the West Midlands have been the most active in appealing against higher business rates, according to a survey carried out by the Forum of Private Business.

Thirty six per cent of businesses in Scotland have lodged rates appeals as have 21 per cent of businesses in the West Midlands. In the south-east and East Anglia 16 per cent of businesses have appealed.

■ Euroventures, a venture capital company which raises its funds from corporate investors, is to establish a second fund. The second fund is likely to be similar in size to the first, Ecu 100m (£70m), fund which is fully invested. Euroventures, which is based in Den Bosch, The Netherlands, has invested in 16 European countries through 15 affiliated national or regional funds.

■ A wide-ranging study of enterprise in eastern Europe and the former East Germany is to be carried out as part of a project financed by the European Foundation for Entrepreneurship Research.

The foundation is to fund 26 academic studies of the entrepreneurial climate and of individual businesses in eastern Europe including profiles of how six East German industrial conglomerates – *Kombinate* – are adapting to a market economy.

The studies will be presented at the foundation's fourth annual conference in Berlin on December 8-10.

Contact EFER, rue Washington 40, 1050 Brussels, Belgium. Tel. 32 2 648 0385.

■ The London Chamber of Commerce has begun a weekly series of "business advice clinics" to allow small business owners to discuss their problems on a one-to-one basis with specialists in fields such as business law, marketing and financial planning.

The clinics, held on Thursdays, are free but are only available to members.

Contact membership department. Tel 071 248 4444.

■ The value of the NatWest/BP Technology Awards, intended to encourage technological innovations with commercial potential, is to be increased from £60,000 to £100,000 this year.

Overall winner of the 1990 scheme was Vignan Medical Technology, a company set up by Bipin Patel, of University College Hospital, London, for the the development of a safer and more accurate tooth decay detector to replace x-ray radiography. Vignan was awarded £5,000.

Details from enterprise agencies, Small Firms Centres, NatWest on 071-374 3383 or Hilary Trudeau at BP on 071 920 3079.

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BUSINESSES FOR SALE

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- *Manufacturing of Printed Circuit Boards specialising in the U.K. defence, aviation and instrumentation markets*
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For further information please contact A.G. Pearce Joint Administrative Receiver, Ernst & Young, P.O. Box 1, 3 Colmore Row, Birmingham B3 2DB. Telephone: 021-626 6262.

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For further information write to Andrew Thompson, Joint Administrative Receiver.

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Richmond House, 1 Rumford Place, Liverpool L3 9QY
Tel: 051-236 5052. Fax: 051-236 1882.

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Please write Box H8102, Financial Times, One Southwark Bridge, London SE1 9HL

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CARIBBEAN MARINE CENTRES LIMITED (IN RECEIVERSHIP)

The business and assets of the above company located on Nanny Cay, Tortola, British Virgin Islands are offered for sale. This sale will take place by auction on Friday March 29, 1991.

- 41 room hotel
- 180 slip marina with full utility services
- boatyard with 50 ton travel hoist
- 98 storage lockers, 2244 square feet
- marine store
- ancillary buildings containing shops, offices, marine services and other tourist facilities totalling 28,952 square feet.
- 3940 square foot restaurant and small cafe 1,243 square feet
- number of employees 50
- 99 year Government lease signed in 1986, with option to renew for a further 99 years covering approximately 23 acres.
- 15 acres of undeveloped land the development of which is envisaged by the lease.

For further information please contact the Receiver, Gordon D. Hathorn at the address below.

P.O. Box 362, Road Town, Tortola, British Virgin Islands
Telephone 809 494 2868 Facsimile 809 494 4704

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For further details please contact E. Klempka and M.J. Moore, Joint Administrative Receivers at Cork Gully, Albion Court, 5 Albion Place, Leeds, LS1 6JP. Tel: (0532) 455166 Fax: (0532) 434567

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For further information please contact David Stokes at Cork Gully, 1 East Parade, Sheffield, S1 2ET: Tel (0742) 729141: Fax (0742) 752573.

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The administrative receivers offer for sale as a going concern, the business and assets of this supplier and hirer of pipe tools.

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For further details please contact:
Stephen Quinn or Matthew Bowker,
BDO Binder Hamlyn, Scottish Provident House, 52 Brown Street, Manchester M2 2AU. Tel: 061 831 7121 Fax 061 833 0669

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Contact Paul Sandie/Matthew Yelmans

Weatherall Green & Smith
22 Chancery Lane London WC2A 1LT
071-405 6944

Gatherchoice Holdings PLC

(In Administrative Receivership)

The Joint Administrative Receivers offer for sale on a going concern basis the business and assets of the above company which has been engaged since 1977 in the business of mens clothes design, wholesale and retail principally by way of concessions in leading menswear stores.

The business includes:

- ★ Estimated turnover of £4.7 million for the year ended 31st January 1991.
- ★ Approximately 70 members of staff.
- ★ Operates 54 concessions in major high street stores.
- ★ Well balanced stock.
- ★ Established design department.
- ★ Motor vehicles free from hire purchase.

For further information please contact the Joint Administrative Receivers, R.H.Oldfield and W.F.Ratford at KPMG Peat Marwick McLintock, 20 Farringdon Street, London EC4A 4PP. Tel: 071 236 8000 extension 3836 Fax: 071 248 1790.

KPMG Peat Marwick Corporate Recovery

BOURNEHALL GRAPHIC

A B Thompson and P W Wallace, Joint Administrative Receivers, offer for sale the business and assets of Bournehall Graphic Limited, long established periodical and advertising printers trading under the styles of Bournehall Press, Graphic Litho, Fraser Meikle and Setpoint Graphics.

- ★ Annual turnover approximately £3m
- ★ Leasehold premises at Welwyn Garden City (total area 19,620 sq ft).
- ★ High quality lithographic printing equipment.
- ★ Prestigious customer base.
- ★ Skilled workforce of 82 employees.

Contact A B Thompson, KPMG Peat Marwick McLintock, Aquis Court, 31 Fishpool Street, St Albans, Herts AL3 4RF. Tel: 0727 43000 Fax: 0727 41005.

KPMG Peat Marwick Corporate Recovery

The Joint Administative Receivers offer for sale the Business and assets of:-

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The company operates in the business of print finishing relating to the manufacture of high profile board games.

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- Leasehold Property
- Stocks and Work-in-Progress
- Plant and Machinery
- Order Book
- Office Furniture Fixtures and Fittings

Turnover Circa £4 million

For further enquiries please contact the Joint Administrative Receivers.
David H. Gilbert P. CA, Maurice Moses ACA
Levy Gee & Partners,
100 Chalk Farm Road, London NW1 8EH
Telephone: 071 267 4477 Fax: 071 267 1028

LEVY GEE

Nordsea Gas Technology Ltd

(In Receivership)

The business and assets of this gas heating and ventilation business are available for sale as a going concern. The principal features are:

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  - Flame treatment division: Turnover approximately £860,000.
  - Heating & Ventilation division: Turnover approximately £460,000.
  - Process division: Turnover approximately £450,000.
- Current order book.
- Skilled workforce of approximately 55.

For further information please contact the Joint Administrative Receiver, AJP Brereton FCA, Price Waterhouse, York House, York Street, Manchester M2 4WS. Tel: 061-228 6541. Fax: 061-236 1268.

Price Waterhouse

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Carter Concertos

ROYAL FESTIVAL HALL

The biggest and the newest were saved for the end of the South Bank's celebration of Elliott Carter. Sunday evening's programme given by the London Sinfonietta ended with the most massive and extraordinary of all his orchestral scores, the Concerto for Orchestra of 1969, and also included the British premiere of Carter's Violin Concerto, completed a year ago.

The concert was conducted by Oliver Knussen with a lucidity, sense of dramatic pacing and virtuoso assurance in the orchestral Concerto that the score has always promised but in my experience never delivered before in performance. With Carter's increasing rate of productivity in his old age, it is easy to forget the sense of excitement that his scores of the 1960s in particular generated when they first appeared and can still engender – this festival has included the Double Concerto from that period, though not the Piano Concerto – and even in the imperfect commercial recording the Concerto for orchestra has always seemed to offer the richest potential of all. When realised as here, it emerges as one of the towering achievements of post-war music, vivid, impassioned, wonderfully eloquent.

The Violin Concerto is very different in tone. It was written for the Norwegian soloist Ole Bohn, who has already proved a marvellous interpreter of the most demanding of all Carter's works, the violin Duo, and seems to have mastered the formidable solo part in the new work with remarkable assurance. There is something of the Duo's recalcitrance in it, as if the very sound of a string instrument still brings from the composer some of his grittiest, most uncompromising thoughts.

Though it follows a standard three-movement fast-slow-fast plan, with the first two movements linked by a tuning A from the violin, and the second and third by bowing across the open strings, soloist and orchestra frequently appear to be on divergent paths, hardly sharing material or even modes of utterance. Shards of instrumental figuration fly around the solo line in the first movement, while in the second the violin's cantilena is continually menaced by the orchestral undertow; only in the finale does a real sense of give and take, of a tight-knit ensemble involving the violin, begin to emerge.

The two Carter works were separated by Stravinsky's tense, pungent Aldous Huxley Variations, given twice because, as Knussen told the audience, that was what the composer used to prefer. They were preceded by a dashing account (with John Wallace as the distant trumpeter) of Simon Holt's *Syrensong*, still sounding as full of thrilling ideas and luminous sonorities as it did at its Proms premiere four years ago, and still unfortunately running of of steam just a little way before the end. The evening, though, was Carter's, and the two concertos put the seal on what has been one of the South Bank's more rewarding and challenging special projects.

Andrew Clements

Master of bizarre conjunctions

This year marks the centenary of the birth of Max Ernst, which anniversary is duly celebrated by the major retrospective that now fills the special galleries of the Tate (until April 21: sponsored by Daimler-Benz AG). Ernst was born a German, which cause he served through the First World War, but lived most of his adult life in France, wartime exile to America apart, and died a Frenchman, in 1976.

Back from the War in 1918, he was first active in the Dada group centred on Cologne, but soon migrated to Paris where he found himself in at the birth of Dada's natural child, Surrealism. Ernst is both entirely characteristic and yet more complex and interesting an artist than his lifetime's association with that movement of itself might suggest. But Surrealism has much to answer for: for if Dada begat Surrealism, so in its turn did Surrealism beget the Pop-art and Conceptualism which in their later generations haunt us still. And all are subscribers to the great iconoclastic heresies of modernism, first propounded by Dada and gleefully exploited by the Surrealists: Art is what you say it is; Art indeed, *pace* Freud, may be anything you like; like the Devil with his tunes, the subconscious has all the best images; it is the idea that counts.

If then to propose the image is enough, why should the artist bother himself with a full technical realisation when the idea has been registered and the point made? Dada and Surrealism between them liberated all who wished to be artists but could never bring themselves to master the business. And in the techniques of collage, assemblage and frottage with all its rubbed and scraped derivatives, Dada and Surrealism gave the technically inadequate the perfect means of self-expression, with every semblance of sophistication and expertise. To put it baldly, collage is at once very quick and deceptively easy of execution, and wonderfully seductive in its effects.

Not by chance was Ernst a master of collage and prodigiously prolific. Professor Werner Spies, of Dusseldorf, who has selected the Tate show and edited its handsome catalogue (£17.95), has also lately published his definitive study of the full collage oeuvre (Thames & Hudson, illustrated; £55), and his scholarship readily makes clear that Ernst's work in this field of itself was serious enough.

But through his particular selection for the exhibition, Professor Spies does rather more than that. While establishing that collage rightly holds a central place necessary to any understanding of Ernst's work as a whole, he also shows clearly that it served rather than formed and conditioned it overall. There were times, the 1920s especially, when collage clearly preoccupied him, and in his mature career there was never a moment when it was not active, but Ernst nevertheless remained essentially a painter throughout, and thus the more rounded and complete an artist.

The point is important in that it was through the inherent painterliness of his work that he transcended the natural limitations imposed by Surrealism and the essentially literary nature of its imagery. Himself the most painterly of the Surrealists – how often has Dali's obsessive finish been confused with mastery – Ernst stands legitimately with those painters, like Picasso and Miró, who came to Surrealism only to make use if it and then move on into wider territory. And Ernst in his turn would always look beyond Surrealism to see might might serve his own immediate purpose. His work always stands for itself on its own terms.

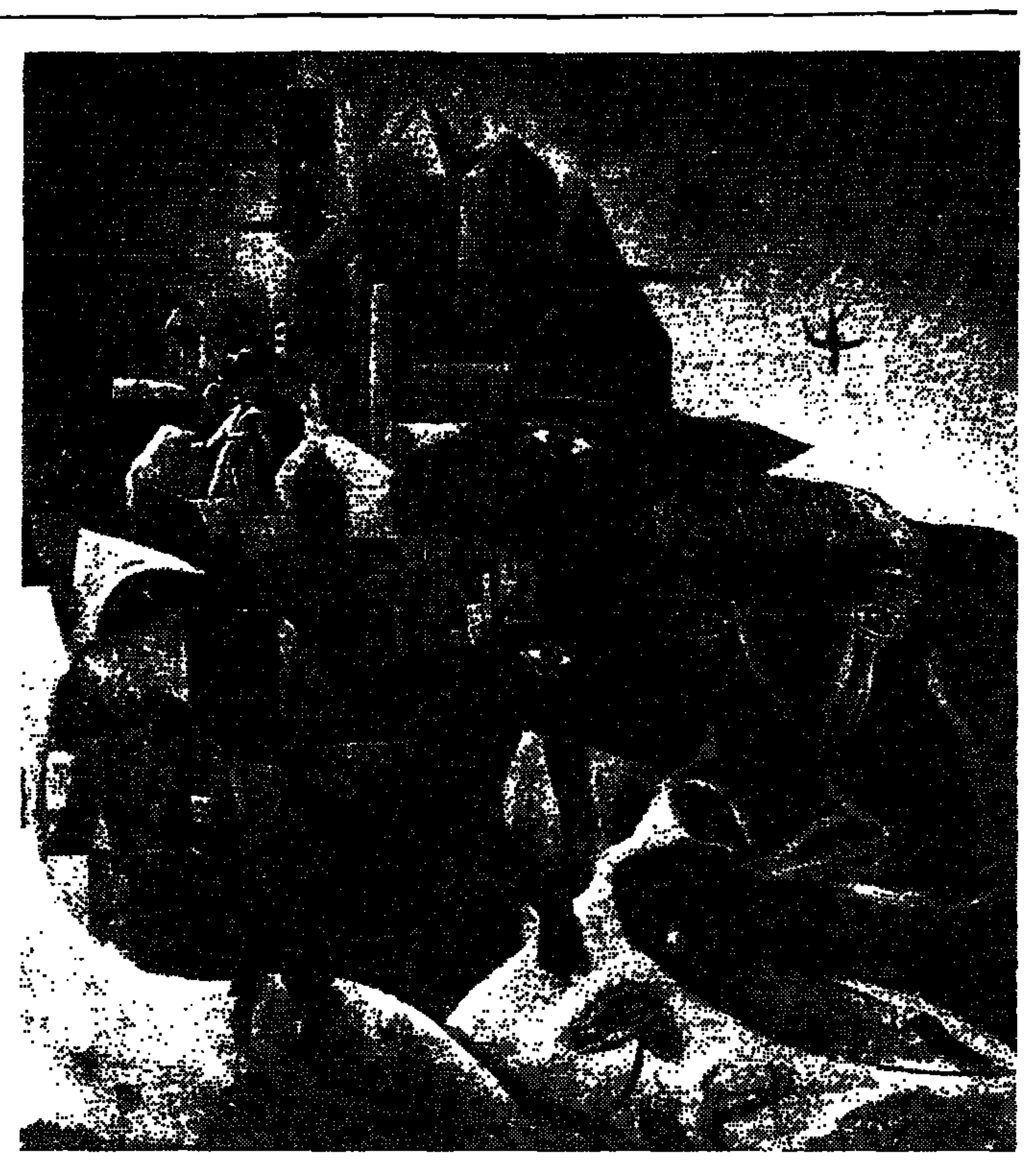
In this respect the first room of the exhibition is especially interesting, showing the young man in Bonn and Cologne before the Great War responding directly to Chagall, whose disrupted perspectives, floating figures and arbitrary shifts of scale take on so nearly the quality of collage *avant la lettre*, in the particular character of the space and imagery. The metaphysical painters too, de Chirico especially, seem to be a present influence well before collage makes its entrance.

But it is collage which in the mature career supplies the primary imaginative stimulus, through its infinite capacity for the bizarre conjunction. The characteristic idea is of the figure trapped or transmogrified, caught in the machine, the machine itself anthropomorphised, a monster set free, creature of nightmare, incubus and succubus. The mood is of oblique psychological threat and unspoken, ambiguous eroticism, which in the later collage sequences is less threatening than one of high, black farce.

Throughout the career we sense this creative tension in the work, between the dynamic and indulgent imagery that collage suggests promiscuously, and the more considered and demanding practice of the actual realisation of the image, that is the painting itself. If the work of the 1920s, in all the headlong excitement of high Surrealism, should see Collage as the prime generator of the image, culminating in the endless sequences of the collage novels published towards the end of the decade, so through the 1930s painterliness reasserts itself, in the simpler, eerie images of forests and deserted cities silent beneath the moon, a jungle undergrowth alive with strange beasts, as in the fantasies of the Douanier Rousseau, or the Brazilian landscapes of the 17th century Dutchman, Frans Post.

It is a truism of art, but nonetheless true for being so, that whatever local and temporary shifts and changes may be apparent in an artist's career, his work at last will be seen to come together into a coherent whole. Ernst was as eclectic an artist as any, ever confident in his changes of mood and style, and it is very much to the credit of Professor Spies that this dense and comparatively large show should allow just such a coherent view overall.

William Packer



Max Ernst at the Tate Gallery: 'Landscape (Town with Animals)', 1919

'Jonathan Wade' revised

HOUSTON GRAND OPERA

John Adams and Philip Glass are the big names now. Dominick Argento and Carlisle Floyd are two older opera composers still prominent on the American lyric scene. Argento's latest opera, *The Aspern Papers* reaches Stockholm this month; his *Voyage of Edgar Allen Poe* (1976) has just been revived with success in Chicago; and *Postcard from Morocco* (1971), something of a cult opera, enjoys frequent revivals.

Floyd's first full-length opera, *Susannah* (1955), a Bible-Beltre enactment of the old tale, has by now received over 250 different productions. The later full-length pieces – *Wuthering Heights*, *The Passion of Jonathan Wade*, which appeared at the New York City Opera in 1962, and *Bilby's Doll* (a witch-hunt opera) and *Willie Stark* (after *All the King's Men*), which were both premiered at Houston – have had smaller general success. But now, nearly 30 years later, Floyd has thoroughly revised *Jonathan Wade*. The new version appeared in Houston last month, and productions are due in Miami, San Diego and Seattle.

Argento and Floyd are both "old-fashioned" composers who provide Puccini-attuned companies and Puccini-attuned audiences with something "new" and American but musically unchallenging and not unfamiliar in manner – an alternative to Cilea and Giordano, laced by a dash of *Peter Grimes*. Argento's dramaturgy – in *Postcard, Poe, Miss Havisham* – is the more ambitious; and so is his music. Floyd's aim is a "well-made play" clad in the effective conventional gestures of early-20th-century.

He writes his own librettos. Wade (baritone) is a Union colonel, the military governor of Columbia, South Carolina, after the Civil War. He falls in love with and marries a Southern belle, Celia (the soprano). The bass is Celia's father, Judge Townsend, a fine old Southern gentleman; the mezzo is Nicey, a stereotype heart-of-gold black retainer in the judge's household. Wade works for Reconstruction in the spirit of Lincoln – "with malice toward none, with charity for all, with faith in the right" – but falls foul of both an unscrupulous Northern politician and an unreconstructed Southern landowner (two tenors), sees no way out, and decides to desert and to flee, with Celia, to Brazil. As he attempts to do so, he is shot in a confrontation between the Union troops who have come to arrest him and the Klansmen who have come to teach him a lesson. The main scenes are divided by historical vignettes: freed black children singing, a charlatan pardon seller, carpetbaggers, etc.

The plot, Floyd's own, is an attempt at "an American *Don Carlos*", with personal and political destinies intertwined. Although the drama is built of stage clichés, it has its heart in the right place. The Houston audience listened solemnly and intently, not supinely, to the climax of Wade's first aria: "Butchery, terror, slaughter: these are the things of which war is made. Well, I have made a solemn vow to God that I will never fight again ... Never again will I be charged with the death of another man."

The recomposing has been extensive (40 per cent of the libretto, 80 per cent of the music is the composer's estimate). The four-year action of the original has been compressed (without change of events) into seven months. The best musical ideas have been retained but have been effectively reshaped. The opera is still long, too long: three acts of roughly an hour each.

Once again, Floyd provokes mixed reaction. He composes – with confidence – in a stale idiom, scarce more advanced than that of Cilea, Giordano, Alfano. But he writes good acting roles. (Phyllis Curtin, Theodor Uppman, and Norman Treigle were the principals of the 1962 *Wade*, and in the new version Sheryl Woods, Dale Duesing, and Julian Patrick made much of their roles.) He scores well, and he sets words well. In all but two (*Wuthering Heights* and the one-act *Markheim*) of his eleven operas he has treated American matter that has "universal" resonances. Like Smetana, he has aimed to provide a country with a national repertory.

The performance of *Jonathan Wade* was expert. The composer himself produced. John DeMain conducted the Houston Symphony. Günther Schneider-Siemssen's decor ably and fluently mingled painted, projected, and built scenery. The smaller roles were well taken. The opera – I heard it twice – wasn't nothing. But at same time his musical sights have been set low: the opera seemed to be mere fodder – musically if not morally – for Pucinni attuned companies and their audiences.

Andrew Porter

London Symphony Orchestra

BARBICAN HALL

The LSO's curious "Childhood" series continued on Sunday with a mixture of gloom and cloudless good cheer, conducted by Michael Tilson Thomas. It began in the latter mood with George Benjamin's *Jubilation*, a 1985 ILEA commission for the London Schools Symphony. With extra brass, a steel band, recorders, chorus and a synthesiser at his disposal, Benjamin concocted a resounding success – shapely and not too complicated, but teasingly spaced out and restrained in its inevitable progress toward the full-scale outburst, and attractive the whole way.

Once the brass from the Guildhall and the children (steel band from Kingsdale School, the Finchley Children's Choir, recorders and percussion from the Centre for Young Musicians) had left the stage, grown-up seriousness descended like a pall. It shouldn't have done, for the distinguished soloists were Salvatore Accardo, in Berg's Violin Concerto, and then Brigitte Fassbaender (weirdly announced as a "soprano" by the programme-book) in Mahler's *Kindertotenlieder*; but a pall there decidedly was. The trouble was with tempi.

Accardo can play every note of Berg's concerto beautifully – especially with the option of helpful solo violas in the cadenza, which Accardo probably thinks too strained and unpleasing on the violin alone. Tilson Thomas secured quite remarkable clarity, and palpable musical sense, from his orchestra. (At the end, rightly, he made the trombone pair take a bow of their own: I have not heard their big phrases so eloquently declaimed.) But until at last the searing *Höhepunkt* of the Allegro approached, *all* the tempi were glumly under par; and there was no significant gear-change when the expository Andante gave way to the dance-memories of the Allegretto. The structure of the piece demands that every change of gait should strike home.

In short, the concerto was starved of its full dramatic range, and thus of its force. So too Mahler's beautiful, terrible *Kindertotenlieder*. As expected, Miss Fassbaender delivered them in huge, exposed tone that seized the heart; but also at tempi in the first four of the songs – Tilson Thomas raised a fine, formidable storm in the fifth – that limped and languished indiscriminately. The cost to the inspired variety of Mahler's settings, for Rückert's uniformly grief-stricken verses, was severe. Miss Fassbaender sang from the score, which suggested that there's some way to go with this cycle before she gets it into her customary authoritative focus.

Bizarrely, the concert then concluded with extracts from Mendelssohn's *Midsummer Night's Dream* music. The Scherzo was fleet, dry and accurate, without a joke or a surprise, and the first horn treated his noble Nocturne solo to a "wa-wa" legato, which scotched any larger expressive shape. The Wedding March was all right.

David Murray

Marriage of Figaro

COMEDIE-FRANÇAISE, PARIS

What would we make of Beaumarchais' *Figaro* if we did not know Mozart's? The opera is so much more familiar that when we go back to the play, it is hard not to hear a duet lurking behind a dialogue, to long for an aria rather than a set speech. And yet Beaumarchais' prose has a musicality of its own: trills and frills, warbles and echoes, keep amorous intrigue featherlight, frivolous, civilised.

In Yannis Kokkos' design, Watteau-like courtiers loll in splendid interiors, framed by an arboretum and statues which later form the enchanted garden of love and revelation. Beyond, a view through French windows shows the count's limitless estate. Figaro sports a watch – a tribute to Beaumarchais' first career as a watchmaker? – but Almaviva has no need of one: time is infinite in the *ancien régime* paradise.

Where Mozart's music dictates at least four important and clearly delineated roles, Beaumarchais gives freer range. Antoine Vitez concentrates on the Figaro-Almaviva relationship and the social fabric it exposes. His count (Jean-Luc Bideau) is a conventional, heavy-handed 18th century "galant" a little checked by modern ideas. His attraction is his ardour and *amour-propre*; both make him want to be liked and both are his comic undoing.

By contrast Figaro (Richard Fontana) is the only one of the cast to break out of a stilted, over-decorous acting style, and this is surely intentional. He is an independent man, free spirit in a new age, worldly, energetic, winding his master round his little finger like the yo-yo he bobs up and down with maddening unconcern. Here are two thoughtful, skilfully sustained performances, the heart of an interpretation which barely glosses over Suzanne (Catherine Salviat, too young and irresponsible) and the countess (Genevieve Casile, surprisingly old, even dowdy).

This production is exquisitely spoken, perfectly mannered and choreographed like a formal dance. Completing the picture of the three estates by casting Bazile (Dominique Rozan) as a clergyman manqué, Vitez uses classical balance as an image of social order.

Comedy only takes wing when this is turned topsy-turvy – for example Antonio the gardener (Jean-François Remy) bursting outraged into the countess' bedroom complaining of a man jumping from her window onto his flowerbeds, just as the women have convinced the count that no one has been there. Otherwise letters pass into the wrong hands, clothes dress the wrong bodies, suspicion ebbs and flows, raising smiles rather than laughter. Even Cherubin (Claude Mathieu), a cross between a fledgling Don Juan and a live prop, eventually palls.

It is a sunny play but nevertheless what is missing is dramatic conflict, the froth of jealousies, resentments and ambitions set against the surface politesse which reasserts itself each time emotion threatens to bubble over.

The Cómedie-Française has a long association with this work – it staged the first performance in 1784, just a year before the opera opened at Covent Garden. Although grand restraint makes its point, this production still seems something of a prize exhibit, stiffly traditional. In Beaumarchais' day, the play ran for four and a half hours; its sails are trimmed a little here, but be prepared to be in your seat until midnight.

Jackie Wullschlager

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Sigiswald Kuijken conducts La Petite Bande in Haydn and Mozart programme. Wed, Thurs, Fri and Sun: Riccardo Chailly conducts Royal Concertgebouw Orchestra. Sat: concert performance of Die Walkure (718345)
Muziektheater 20.00 Tim Albery's staging of *Benvenuto Cellini* conducted by Peter Hirsch, with cast led by David Kuebler, Lynne Dawson and Eirian James. Also Fri (255455)

■ BERLIN

MUSIC
Staatsoper unter den Linden 20.00 Eva-Maria Bundschuh sings Salome, with Ekkehard Wlaschiha as Jochanaan. Also Fri (2004 762)
Deutsche Oper 19.30 Giancarlo del Monaco's production of Samson et Dalila with Marjana Lipovsek and Vladimir Atlantov. Tomorrow: Entfuhrung. Thurs: Figaro (3410 249)
DANCE
Komische Oper 19.00 *Cinderella* choreographed by Tom Schilling, music by Prokofiev (2292 555)
THEATRE
Berliner Ensemble 19.00 An evening with Kurt Weill. Thurs: The Threepenny Opera (2827 712)
Maxim Gorki Theater 19.30 Peter Shaffer's Amadeus. Tomorrow: The Cocktail Party by T.S Eliot (2082 748)
Schaubuhne 19.30 Luc Bondy's production of The Winter's Tale, designed by Erich Wonder. Also Thurs, Fri and Sun (890023)

■ BRUSSELS

Palais des Beaux Arts 20.00 A programme of 20th century piano music with various soloists (507 8200)
Monnaie 20.00 Adolf Dresen's production of Jenufa conducted by Ingo Metzmacher, with Linda Plech in title role and Anja Silja as Kostelnicka. Also Thurs and Sat (219 6341)

■ HAMBURG

Staatsoper 19.00 Harry Kupfer's production of Werther conducted by Gerd Albrecht, with Keith Ikaia-Purdy in title role and Kathleen Kuhlmann as Charlotte, also Fri. Tomorrow and Sat: Donald Runnicles conducts Lady Macbeth of Mtsensk (351555)
Deutsches Schauspielhaus 19.00 Wunschpunsch, new play by Michael Ende (248713)

■ LEIPZIG

Kellertheater 19.30 First performance of Matka, new chamber opera by Annette Schlunz (7168 273)
Gewandhaus 20.00 Leipzig Radio Symphony Orchestra plays K.A Hartmann's Eighth Symphony, plus works by Grieg and Wolfgang Rihm. Thurs and Fri: Kurt Masur conducts Gewandhaus Orchestra (7132 252)

■ LONDON

MUSIC
Covent Garden 16.30 Bernard Haitink conducts Gotz Friedrich's production of Gotterdammerung, with Gwyneth Jones, Reiner Goldberg and John Tomlinson. Thurs: Samson et Dalila, with Carreras and Baltsa (240 1066)
Coliseum 19.30 David Alden's staging of Oedipus Rex and Duke Bluebeard's Castle, with Sally Burgess as Judith, also Fri. Tomorrow: Rusalka (836 3161)
Royal Festival Hall 19.30 Georg Solti conducts London Philharmonic in Haydn's Symphony No 98 and Bruckner's Second Symphony. Tomorrow: Colin Davis conducts Tippett's Triple Concerto and Schubert's Mass No 6 (928 8800)
Barbican Centre 19.45 London Festival Orchestra play Handel, Bach and Mozart. Tomorrow: Mozart concert with Westminster Abbey Choir. Sat: Britten's War Requiem. Sun: Halle Orchestra (638 8891)

THEATRE
This week's shows include The King and I starring Susan Hampshire (Sadler's Wells), The Wind in the Willows (National), Joe Orton's What the Butler Saw (Wyndham's) and Absurd Person Singular, written and directed by Alan Ayckbourn (Whitehall).

Phone Theatreline: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ MADRID

Teatro Lirico La Zarzuela 20.00 First night of new production of Idomeneo conducted by Michael Schoenwandt, staged by Emilio Sagi, with a cast including Montserrat Caballe and Gosta Winbergh. Also Fri (429 8225)

■ MUNICH

Staatsoper 19.30 Wolf-Ferrari's Die vier Grobiane. Tomorrow: Sawallisch conducts Siegfried, with Rene Kollo, James Morris and Hildegard Behrens. Sun: Gotterdammerung (221316)
Philharmonie 20.00 Hiroshi Wakasugi conducts Munich Philharmonic Orchestra in Bartok's Miraculous Mandarin, with Martha Argerich soloist in Beethoven's Third Piano Concerto. Also tomorrow (48098 614)
Herkulessaal der Residenz 20.00 Musica Antiqua Koln play music by Venturini and Handel (299901)
Prinzregententheater 19.00 Brecht's Der gute Mensch von Sezuan (225754)

■ NEW YORK

Metropolitan Opera 20.00 Placido Domingo sings Rodolfo in La boheme. Tomorrow: Luisa Miller with Susan Dunn and Luciano Pavarotti (362 6000)
New York State Theatre 20.00 New York City Ballet in Coppelia (870 5570)

This week's theatre programme includes Fiddler on the Roof with the Israeli actor Topol as Tevye (Gershwin), Assassins, Stephen Sondheim's latest musical (Playwrights Horizons) and John Guare's new play Six Degrees of Separation (Lincoln Center). Ticketron (246 0102) answers inquiries and sells tickets

■ PARIS

MUSIC
Théâtre des Champs-Elysées 20.30 Julia Migenes Show, also tomorrow. Thurs: Zoltan Pesko conducts Ives, Carter and Druckman with Orchestre National de France (4720 3637)
TMP-Chatelet 19.00 Song recital by Gregory Reinhart (4028 2840)
Salle Pleyel 20.30 Armin Jordan conducts Ensemble Orchestral de Paris in music by Haydn, Roussel and Frank Martin, with Christian Zacharias soloist in Mozart's Piano Concerto No 23 (4561 0630)
THEATRE
Cómedie Française 20.30 Gildas Bourdet's new production of Moliere's Le Malade imaginaire, also Sat and Sun (4366 4360)
Théâtre des Bouffes du Nord 20.30 Peter Brook's production of The Tempest. Runs till March 2 (4607 3450)

■ PRAGUE

National Theatre 19.00 Giselle, also Thurs. Tomorrow: The Bartered Bride
Smetana Theatre 19.00 Tosca, also Fri. Thurs: Martinu's The Miracle of Our Lady

■ VIENNA

Staatsoper 18.30 Leontina Vaduva sings Manon with Francisco Araiza as Des Grieux (51444 2960)
Volksoper 19.00 Eugene Onegin (51444 3318)
Musikverein 19.30 Pinchas Steinberg conducts Austrian Radio Symphony Orchestra in Janacek's Sinfonietta and Suite from The Cunning Little Vixen, plus music by Dvorak and Martinu (505 8190)
Konzerthaus 19.30 Song recital by Margaret Price, with music by Mozart, Schubert, Schumann and Brahms. Tomorrow and Thurs: Georges Pretre conducts Mendelssohn and Richard Strauss (7124 6860)
Akademietheater 20.00 Pirandello's Henry IV (51444 2218)

■ WASHINGTON

Kennedy Center Concert Hall 19.00 Mstislav Rostropovich conducts National Symphony Orchestra in music by Haydn, Dorati and Bruckner. Tomorrow: Claudio Abbado conducts Vienna Philharmonic Orchestra (467 4600)

■ ZURICH

Opernhaus 19.30 Ponnelle production of Die Zauberflote with Anton Scharinger as Papageno. Fri: revival of Giancarlo del Monaco's production of La fille du regiment with Edita Gruberova (251 0909)
Tonhalle 20.15 Maurice Andre plays trumpet concertos by Haydn and Bellini with Zurich Chamber Orchestra conducted by Edmond de Stoutz.
The programme also includes Ravel's Le Tombeau de Couperin and Faure's suite Pelleas et Melisande. (252 1737)
Schauspielhaus 20.00 Der Meteor, play by Friedrich Durrenmatt, also Fri and Sun (251 1111)

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The defence of the west

THE PROBLEM of how the west should organise its defence in the future was posed even before the Gulf war broke out. The proclamation by Nato last July that the cold war in Europe had ended, coupled with the expectation that the Warsaw Pact would dissolve itself, inevitably provoked widespread questioning of the continuing usefulness of the western defence pact.

The picture has changed in a surprisingly short time. While it is still accepted that Moscow presents no immediate threat to the security of Europe, there is no certainty, if there ever was, that it will never do so again. That view has been rudely shattered by the growing political and economic instability of the Soviet Union. Mr Mikhail Gorbachev, the main architect of the new era in east-west relations, is no longer the undisputed leader of his country that he once was. There is a possibility that he might be replaced, sooner or later, by someone much less interested in friendly relations with the west.

The need for the continuation of an effective defence organisation such as Nato, which involves a firm US political and military commitment to the defence of Europe, is becoming clearer by the day. The Gulf war has added a new dimension to this problem. Mr James Baker, the US secretary of state, referred to the need for Nato to direct its attention to "a wider arc" of security challenges after the meeting of the alliance's foreign ministers in Brussels at the end of last year. But the proposal has provoked sharp disagreements during discussions on a new alliance strategy.

Wider Nato role

Some member countries, like the US and Britain, favour giving Nato a wider and more active role in areas ranging from transatlantic political consultations and the development of relations with the Soviet Union to the organisation of a more significant defence role for European members and the use of Nato infrastructure facilities in the event of global conflicts. France, however, is fundamentally opposed to such an extension of Nato's geographically circumscribed role, because it sees it clashing with plans for forging a stronger European defence identity within the European Community.

Deep differences

These differences, though deep, do not appear unbridgeable. The allies are at least agreed that any new role for Nato should not extend as far as conducting joint "out of area" military operations. The US, Britain and other Nato members have been careful not to attach a Nato label to their military co-operation in the Gulf for very good reasons. Not only did the Iraqi invasion of Kuwait not pose a direct military threat to a Nato member country, but the formation of such a wide US-Arab-European coalition would have been unthinkable if the western contribution had been made under the hat of an alliance which is still seen in many third world countries as an instrument of US power.

Where a meeting of minds is also possible is on the future role of the nine-nation Western European Union. Both the US and its European allies agree that the latter must play a bigger role in the defence of their continent and western security as a whole than in the past. WEU is the almost perfect "crossroads" organisation. While it does not comprise all members of the EC, nor all European members of Nato, its principal member countries belong to both organisations.

It is acceptable to the US and Britain because it would allow the Europeans to co-ordinate their policies within Nato without setting up an entirely new defence organisation from which Washington would be excluded. It would be acceptable even to France as a transitional forum for co-ordinating European defence policies, pending the realisation of more ambitious projects, as long as some institutional links between the EC and WEU were established.

Not least, an enhanced status for the WEU within both Nato and the European Community would enable the European allies to act more cohesively and effectively in crises beyond the confines of Europe than they have done in the Gulf conflict.

Living with the bombs

AT OTHER times, in other circumstances, the latest violence by the IRA would have received a great deal more attention than in the last few days. The mortar attack on No 10 Downing Street earlier this month, for example, was the closest the organisation had come to hitting the very centre of British government since the bomb at the Conservative party's main conference hotel in 1984. Yet the reaction was muted: the cabinet simply resumed its meeting in another place.

The explosive devices placed at a number of London railway stations yesterday represent different tactics. Recently IRA targets on the mainland, and in continental Europe, have tended to be military or at least political. Yesterday's attacks were aimed at civilians. That is not entirely new, as anyone who remembers the Harrods bomb or the explosive devices in Oxford Street will attest. Yet it seemed that in recent years the terrorists had become more sophisticated, concentrating on targets that they deemed to have some ideological or symbolic justification: last year's bomb at the Stock Exchange clearly fell into that category. Now they are again acting indiscriminately.

Smaller headlines

There are several reasons why the violence has generated smaller headlines than it might have. One is that minds are on other matters. Beside the war in the Gulf, the sectarian campaign by the IRA looks like a petty affair: deadly to those affected by it, but unlikely to change the course of events even in Anglo-Irish relations. Minds are also on the economic recession. And, in the particular case of the railway bombs, if it had been announced last week that London's stations were closed, it would have been assumed that the most probable culprit was the weather rather than the murderous behaviour of the IRA.

The most important reason why the terrorists no longer make the impact that they hope for, however, is their manifest failure to achieve their political aims. The IRA wants British troops out of Ireland, and a great many lesser things – like a political amnesty – besides. Yet there is a curious fact that seems to have escaped the organisation's leadership: the more outrageous the IRA's attacks, the less political sympathy it gets. The constitutional parties in the Irish Republic are at least as opposed to the IRA as are the Britain's political parties. Sinn Fein, the IRA's political wing, is not gaining votes either in the north or south of Ireland. Most people in Ireland and Britain now regard the IRA as an unpleasant fact of life which claims some casualties, but which does not on the whole prevent life going on.

Falling support

The terrorists might like to look at the experience of similarly violent organisations in other countries. True, they have claimed their victims, some at the highest level of public and business life. Yet the Red Brigade in Italy did not undermine Italian democracy; if anything, it strengthened it. The Red Army Faction in Germany resurfaced briefly last week to mount an attack on the American Embassy in Bonn, but we now know, as a result of documents released from East Berlin, that it was an even nastier organisation than it seemed in the first place. Outside support is falling away. Indeed the lasting legacy of all such groups has been merely to persuade society that it must pay more attention to its own security. Society, by and large, has accepted the burden, just as the people of Belfast live with the threat of terrorism on a daily basis.

Such is the IRA's store of weapons and explosives that it is plainly not dead yet. Many of those supplies come from the days when governments and corporations were unduly careless about who obtained what. Some are still too lax. Politically, the Irish government needs to look again at those articles in its constitution which give theoretical support to the IRA by claiming jurisdiction over all Ireland. For the most part, however, the call is for ever greater vigilance. There is no reason to believe that the public will not respond.

Emma Tucker says the employment outlook for many graduates is bleak

The pick of the crop

At the Randolph Hotel in Oxford, Ms Lucy Wood has just been talking to United Biscuits, which has set up office along with Guinness, JWT, Swiss Bank Corporation, Fisons and Flemings merchant bank. These potential employers are in town for the spring "milk round", recruiting from this year's crop of graduates.

Lucy, a 22-year-old chemistry finalist, has written 15 letters of application to companies in consultancy, marketing and retailing; she has heard from 12 and so far the interviews have gone well. But she is just one of thousands of students who are graduating from university this year to encounter a jobs market that is more competitive than at any time in the past five years.

Students about to leave universities, polytechnics and colleges are entering a market in the grip of recession, suffering from the effects of high interest rates and uncertainty created by the Gulf conflict.

"An ideal student should be doing a science degree and be fluent in a European language, or Japanese," says Lucy. "Everyone has stressed the need for languages."

But many of the finalists coming in nervously from the cold have only a smattering of French or German and are doing what graduate employers refer to as "any discipline" degrees – history, politics, psychology or English.

"People are aware of the uselessness of the degrees they are doing here," says Mr Matthew Allum, a finalist in Chinese at Oxford, who has applied to companies with interests in the Far East such as John Swire and Sons, and Jardine Matheson.

"Students are wondering why nobody told them at school that Oxford wasn't going to be an end in itself, and a lot of people are wishing they had gone to the London School of Economics to do a more vocational degree."

However, finalists sitting degrees in vocational subjects at the Polytechnic of Central London are only a little more optimistic.

Mr Geraint Jones, a business studies finalist who spent his third year on a business placement, is worried about the impact of the recession on his employment prospects.

"The implication is that I am going to have to settle for a job I wouldn't normally want to consider," he says.

It is, perhaps, the case that final-year students have an over-pessimistic attitude towards the current economic downturn and its effect on their career choices. Careers advisers, who predict that the situation will deteriorate, are more concerned for students graduating in 1992.

A study published last week by Incomes Data Services, an independent research organisation, said there would be no overall reduction in the number of jobs for new graduates this year. Some large employers, such as BP, BT and ICL, are increasing their recruitment targets. Students with degrees in law, medicine, information technology, engineering (especially defence) and accountancy should encounter few problems.

However, a report last month by the Association of Graduate Recruiters, a employers' body, said that demand for graduates had levelled off and 1991 finalists would face a more difficult time than last year's graduates.

This trend would be exacerbated by a 5 per cent increase in the number of job seekers in 1991, taking the number of students graduating with bachelor degrees from universities, polytechnics and higher education colleges to about 135,000. Sixty per cent of them would be looking for jobs.

While recruitment activity on campuses is slightly down, there is a feeling among careers advisers that employers do not want to repeat the mistakes they made during the recession of 1980-81 when many companies withdrew from the spring interview rounds altogether.

According to Mr Keith Dugdale, chairman of the Association of Graduate Careers Advisory Services (Agcas), this led to big gaps in management development programmes once the recession ended. It also damaged the reputation of companies on campus.

"Employers are cutting back this year but many are aiming to maintain a presence on campus – graduate recruiters are taking a more long-term view of the situation, so there is almost the same general level of activity as last year," Mr Dugdale says. Shell, for example, will take some 200 graduates this year, similar to the number it took last year.

"The oil, gas and chemical industry tends to be quite a long-term business, so any immediate downturn is not likely to affect our overall investment programme," says Mr John Akehurst, head of central recruitment at Shell.

"In the past we didn't take the same approach of continuity in recruitment – we tended to allow recruitment targets to fluctuate more in response to short-term business needs."

Despite the long-term outlook of employers such as Shell, there is uncertainty in the business world because many companies are facing a difficult future.

"There is great uncertainty among employers and many are holding back on recruitment," says Ms Julia Warburton, manager of the national vacancy list of the Central Services Unit, a registered charity which publishes fortnightly lists of vacancies for graduates.

"Many are waiting to see what the Budget will do before they make a final decision," she adds.

The uncertainty is affecting student attitudes. "The word in the colleges is that you should be quite careful who you apply to because a lot of the smaller consultancy companies, for example, are going under," says Lucy. "It is important to apply to well-established companies."

Companies are also being more specific in their subject requirements, which is affecting the "any discipline" graduates. Traditionally such graduates have looked for jobs in public relations, advertising, publishing and the media but these are all areas being affected by the recession. Ogilvy & Mather, the advertising agency, has cut the graduates for its account management training programme from nine to five, and Burson Marstellar, the third-largest public relations company in the UK, is waiting to see whether the economic climate improves before it decides on recruitment levels. Last year it employed eight graduates.

Arts students may nevertheless be better placed than students who have devoted their entire degree to computing, or construction, two areas that have been severely hurt by the economic downturn.

IBM's decision not to recruit any graduates this year came as a shock to careers advisers. Last year IBM took on 290 students but its decision reflected the downturn in computer-related work.

Similarly, when the Central London Polytechnic organised a surveyors' fair at the end of January, only seven firms turned up, compared with last year's 15.

Cyril Sweet, a firm of quantity surveyors which took on six graduates last year and would normally attend campus open days, said it was waiting to assess its future contracts before it decided on recruitment levels.

At Tarmac a similar situation prevails. The company intends to recruit more than 100 graduates but is waiting to see how the year's workload shapes up before settling on a final target.

Agcas expects to see an increase in the number of applications for post-graduate work, a trend which occurred during the last recession. In 1989, there were 47,600 full-time post-graduates. Conversion courses, particularly in information technology, have also made a reappearance as graduates realise they have to make themselves more marketable.

In the library of the Central London Polytechnic, Angela Haddow, a 22-year-old finalist in social sciences, is concerned neither about getting a job nor being accepted for a post-graduate course. She says she is "too young to worry", and is planning to take a year off after graduating.

Sitting at a table nearby, 21-year-old Jane Edwards does not think her psychology degree will be of much use on its own, and intends to do an extra degree.

"I don't know of anybody from the psychology department who has applied for a job. You could go into advertising I suppose, but most people want to carry on with the medical side and go into clinical psychology," she says.

Many students, says Ms Carolyn Morris, head of careers at Sussex University, are simply hoping to ride the storm. A number of universities, including Sussex, have reported less interest in campus visits from employers this year. Nobody knows how long graduates may have to wait before the opportunities of the mid to late 1980s reappear.

"The situation is very murky," says Ms Morris. "We have no reason to believe that it is all going to bounce back again in a year's time."

Just another commodity

Investors have lost interest in gold, reports Kenneth Gooding

War in the Gulf; political turmoil in South Africa and the Soviet Union; a collapsing dollar and a banking system close to meltdown. Ten years ago, such a combination of events, not least the troubles of the two biggest gold producing countries, would have sent the prices of so-called precious metals – gold, silver and platinum – soaring upwards.

But their reaction in recent weeks has been spectacular only in its dullness. When the first allied bombs fell on Iraq, the gold price reacted by *falling* more than $26 a troy ounce. The price remains well below its level just before Iraq invaded Kuwait; the price of platinum has plunged to a five-year low; while silver prices are at depths not touched for 17 years.

Over the past 10 years the gold price has lost about 70 per cent of its value in real terms, measured in US dollars. In Swiss francs, D-Marks and some other currencies, the drop is even steeper. The price has been falling steadily for more than three years. Its indifference to the Gulf crisis – in contrast, say, with its sharp rise in early 1980 after the Soviet invasion of Afghanistan – has further tarnished its reputation as being a long-term "safe haven" for wealth.

Investors are jaundiced. "Why should anyone anywhere want gold?" asks Ted Arnold of Merrill Lynch. "You lose money on it year in, year out."

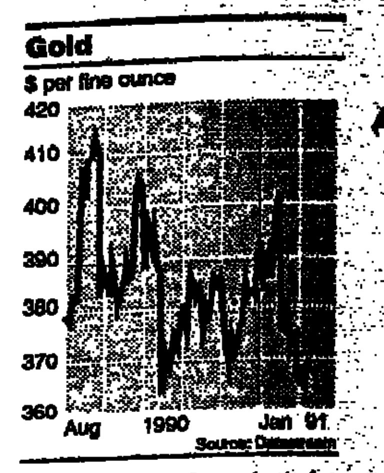
Precious metals today are behaving more like base metals, reacting to normal laws of supply and demand. Falling oil prices are relieving inflationary pressures, and high real interest rates mean that it is more remunerative for investors to hold currencies than to buy gold bullion, which costs money to store and insure. Meanwhile, recession in the US is creating uncertainty for all the metal markets.

There are fears, for example, that the recession will cut gold jewellery sales – the cornerstone of gold demand which accounts for 60 per cent of consumption.

The signs are that the market's dullness is not a short-term aberration but a reflection of structural changes. In the past 10 years a host of gold-backed financial instruments such as gold options have eroded the importance of the physical gold market and helped curb the price volatility which used to attract short-term speculators.

Moreover, the market is being dampened by the behaviour of the gold producers themselves, who seem to have little faith that the price will recover substantially. Every time the price rallies there is a rush by producers to sell forward – that is, fix future delivery at a determined price and "lock in" a profit.

The effect of this is to deliver to the market for sale today gold which will be mined in the future; many central banks and bullion dealers are these days willing to provide metal for this purpose, while jewellery manufacturers are happy to buy forward so that they can plan ahead knowing how much their gold will cost them.



Only a few months ago the producers waited until the gold price approached $420 an ounce before piling in. Now they have lowered their sights to $400.

Mr Richard Kornman, analyst at Barclays de Zoete Wedd, estimates that in the third quarter of 1990 – the last time the price moved above $400 – about 19.8 per cent of total estimated 1991 gold production from South Africa, Australia and North America was sold forward, or hedged. The amount of gold hedged at the end of that quarter increased to about 70 per cent of estimated 1991 production. Producers had never before covered so much of their future output by forward sales, he says.

"The degree of producer influence on bullion markets has steadily increased and now has a marked influence on rallies in the gold price," Mr Kornman points out.

The producers' attitude is summed up by Mr Martin Robinson, chief executive of Canada's Consolidated TVX Mining, when he says: "We may be putting a cap on the price (by selling forward) but we are also putting a floor under our profits."

Not everybody rules out the possibility of gold becoming attractive to investors again. Mr Andy Smith, analyst with the Union Bank of Switzerland, says: "A charitable interpretation of its lack of sparkle is that it is waiting for the right sort of shock to come along – say, the failure of a major US bank or two."

Nevertheless, investor confidence has for the time being been devastated by the non-events of the past month. On the first day of the war, one Zurich dealer said: "Investors have been calling all day to say they're abandoning the market." Smaller banks might now consider closing their precious metals operations, he said, because "there's no special gold magic any more. It's just another commodity."

OBSERVER

FT man gets Abbey habit

■ While chairmanships of major UK financial institutions rarely fall vacant, it is even rarer for them to be filled by a complete outsider. But that is precisely what has happened with the appointment of Sir Christopher Tugendhat, outgoing chairman of the Civil Aviation Authority, to the top job at the Abbey National.

One question it raises is what became of all those other possible contenders, such as ex-Chancellor Nigel Lawson? Nor has it gone unnoticed that Tugendhat, a deputy chairman of National Westminster Bank, is stepping into the boardroom of a major competitor with only the briefest of quarantines.

Sir Campbell Adamson, who has been doing the job since 1978, masterminded the hunt for his successor. Although Abbey now considers itself a bank, the directors discarded the idea of picking a prominent banker, and no internal contenders were deemed to have the right stature.

Campbell Adamson is a former director-general of the CBI, and the chairman before him was Lord Hill, the radio doctor. The Abbey wanted a safe pair of hands, yet someone who was a little different.

Tugendhat, whose longest ever job was his first here on the FT, fits the bill fairly well. He is one of the few former UK EC Commissioners to enjoy a subsequent successful business career. He has done a reasonably good job at the CAA – and held a mortgage with the Abbey National for the last 25 years.

Shadows

■ Tourists in Johannesburg need no longer fear mugging: they can see the sights with an escort from the South African Tourist Police.

According to the local Business Day newspaper, visitors can request a uniformed or plainclothes officer. In fact, they may not even be aware they have an escort - hotels sometimes request police protection without guests' knowledge.

"We can be very discreet if need be," the paper quotes Major Sim de Wet, the Tourist Police chief, as saying. "Whoever is asking for the escort simply has to state whether he wants the policemen to accompany the tourists, or just tail them from a distance." Crime in Johannesburg's "hotel belt" will never be the same again.

Out of order

■ A resting stockbroker reports hard times are reaching unexpected sectors of the economy. Queuing to sign on at the Reading benefits office, he spied a nun on the same mission clutching her unemployment-benefit form.

Until then he'd thought nuns, at least, had a job for life.

Eyebrow-raiser

■ There are not as many lucrative non-executive directorships up for grabs in City merchant banks these days. Nevertheless Lord Haslam's appointment as the non-executive chairman of Wasserstein Perella & Co International, the London arm of the turbulent Wall Street firm, is bound to raise a few eyebrows.

His appointment, together with the already announced choice of Sir Peter Levene as deputy chairman, are part of an obvious strategy to enhance the UK presence of a firm whose recent record and reputation on Wall Street has not been without blemish.

Given that the US mergers and acquisition business is in such a terrible state, it is not surprising that the infant Wasserstein Perella is now making a big push in the UK. It has some successes under its belt, and some expensive investments, most notably its 40 per cent stake in Gateway, the struggling UK food retailer.

Perhaps the idea is that 68-year-old Haslam, a director of the Bank of England, has the sort of industrial pedigree to persuade prospective clients that their interests are as important to Wasserstein Perella as its own.

"It's day 33 of the war and 64 of the poll tax review."

Buck passed

■ Royal Trust of Canada has found a strange way of apportioning blame for the costly setbacks it has recently suffered in its international operations.

Two weeks after announcing writedowns of £126m, mainly on its British mortgage portfolio and ill-timed investments in US savings and loan institutions, RT coyly revealed that it has fired about 50 junior and middle management employees for "poor performance."

But the senior ranks remain intact. RT's combative chief executive Michael Cornelissen has told analysts that the chairman of the board turned down his offer to quit after the full cost of the disasters became known.

Greek mutiny

■ Whatever happened to flamboyant Greek shipping tycoons? The signs are that, with seven years of socialist rule in Greece to add to the international crisis in their industry, they too have given place to grey-suited politicos.

Although the Greek-owned merchant fleet is still the world's largest, the new president of the country's shipowners union John Goumas operates one of modest size, and keeps a low profile.

The man who backed him for the post, outgoing president Stathis Gourdomichalis, earned a reputation for Byzantine manoeuvring during his own six years in office. Indeed, his bid to gain a further term by altering the union's charter was defeated by just one vote.

A more prominent candidate to succeed him, Aristomenes Karageorgis dropped out of the contest for lack of support. It seems his colleagues had not forgotten what happened under Karageorgis's previous presidency in the mid-1980s.

Under government pressure to keep the country's seamen employed, the union agreed to send in substitute crews halfway through voyages. It proved so expensive that many Greek shipowners switched their vessels to foreign flags.

Dry humour

■ After ordering a bottle of hock in a restaurant, a latin teacher absent-mindedly added: "Hic, haec, hoc, hunc, hanc, hoc...." When the wine still hadn't arrived 20 minutes later, he called the waiter over, asking: "Didn't I order hock?"

"Yes, sir," the waiter replied. "But then you declined it."

As the debate about Quebec separatism intensifies in Canada, **Bernard Simon** asks whether the confederation can survive

North loses its bearings

The chairmen of Canada's biggest banks delivered a sombre message to shareholders at their recent annual meetings. Their concern was not so much the problems of the Gulf war, the recession or the poor lending climate for North American banks, but rather the gloomy political outlook for their country.

"We need to stop tearing ourselves apart, and start pulling ourselves together," concluded Mr Allan Taylor, who heads the Royal Bank of Canada, the country's biggest financial institution. His counterpart at the Bank of Nova Scotia, Mr Cedric Ritchie, chided Canadians for trying to isolate themselves from the "uncomfortable realities" of a competitive world where "the traditional sources of Canada's prosperity may no longer be sufficient to keep us on top".

Although many other Canadians may see their country from a different angle than that taken by two pro-business bankers, few would disagree that Canada is on the cusp of some of the most crucial decisions in its 124-year history.

Just how crucial was spelt out last week by prime minister Brian Mulroney. In speeches on consecutive days in Toronto and Quebec City, respectively the centres of English-Canadian business and French-Canadian nationalism, Mr Mulroney made the strongest plea by a Canadian leader for national unity since former prime minister Pierre Trudeau urged Quebecers to vote "no" in the referendum on "sovereignty-asociation" 11 years ago.

"A divided country creates a *climate of uncertainty, and* political uncertainty leads inevitably to economic stagnation," Mr Mulroney warned.

The consequences could hardly be greater for the 26m people who inhabit the world's second-biggest country with the west's seventh most powerful economy. They will probably determine whether Canada *survives as a single country.*

Events now unfolding will also affect the stability of a country which has until now prided itself on exceptional tolerance and a remarkably low level of political violence, the rewards for which have included one of the world's highest standards of living.

The shadows over Canada's future have lengthened in recent weeks since the publication of proposals for constitutional reform by Quebec's ruling Liberal party. The recommendations, drawn up by a committee headed by Montreal lawyer Jean Allaire, are tantamount to a declaration of independence by the francophone province.

Deep divide: Robert Bourassa and Brian Mulroney

They demand the transfer of almost two dozen powers – ranging *from environment to* banking regulation and telecommunications – from Ottawa to Quebec City. Even foreign policy would be a joint responsibility. The report puts pressure on the rest of the country by suggesting that Quebec hold a referendum on a *more formal brand of independence* if the demands are not met within two years.

Few would disagree that Canada is on the cusp of some of the most crucial decisions in its 124-year history

A more broad-based group, composed of 35 Quebec business, labour and community leaders, is expected to make similar or more radical demands when it presents its report next month.

This tough stance is Quebec's *response to the failure* last June by two English-speaking provinces, Manitoba and Newfoundland, to accept the controversial Meech Lake accord. Although the accord was a much more modest attempt to satisfy Quebec's wish for recognition as a "distinct society", many Canadians viewed its devolution of powers to all 10 provinces as a recipe for the gradual dismemberment of the country.

In Quebec, where the Meech Lake exercise helped ignite a nationalism which had been dormant since the defeat of the 1980 referendum on "sovereignty-association", the accord's collapse was viewed as a rejection by the rest of the country.

The demise of Meech Lake thus strengthened the hand of *the separatist Parti Québecois.* Quebec's Liberal premier Mr Robert Bourassa, who, like most Canadian politicians, is a follower rather than a leader of public opinion, had little choice but to harden his position.

Outside Quebec, reaction to *the Allaire report has ranged* from indifference to alarm. Many Canadians, especially in the west where French is seldom heard, feel that Quebec has already got more attention than it deserves.

But other Canadians, especially business leaders, are deeply concerned that Quebec sovereignty will do irreparable political and economic damage to the nation. An independent Quebec would slice Canada, cutting off the four Atlantic provinces from Ontario and the west.

The Canada that remained would be dominated in all ways by the industrial heartland of Ontario, with half the population and more than two-thirds of the industrial output. Both the eastern and western extremities of the country would be alienated.

Quebec would probably lose even more heavily. During the last recession in 1981-83, some 10 per cent of its domestic product took the form of transfer payments from Ottawa. Much of the province's foreign debt – which in proportion to *gross domestic product* is almost three times bigger than Mexico's – is guaranteed by the federal government.

Quebec nationalists have made the running since the collapse of Meech Lake. Ottawa's main initiative, a "citizen's forum" designed to gather the views of ordinary Canadians, has been overshadowed by the Gulf war and by developments in Quebec.

Meanwhile, Mr Mulroney is reported to have told the civil service to review the way the country is run, in particular the division of powers between federal and provincial governments. Mr Mulroney said last week that "we have every intention of restructuring Canada. We have no intention of *dismantling it*". This is expected to result in proposals by Ottawa for the devolution of enough new powers to all 10 provinces to satisfy Quebec, but not so many as to make the federal government ineffectual.

The concern however, is that the former goal will be a higher priority for Mr Mulroney than the latter. The prime minister is himself a Quebecer and a former labour negotiator. In spite of his plea for national unity, he has favoured deals which keep the provincial pre*miers happy rather than hold* out for a strong federal system, as Mr Trudeau used to do.

With more than a third of the Tories' 158 MPs representing Quebec constituencies, Mr Mulroney will in any case want to keep an eye on the next election, which must be held by late 1993. Quebec elects a quarter of all MPs in Ottawa, and *the election could well turn out* to be a *de facto* referendum on the future of the country.

Whatever the outcome, the one certainty is that the Canadian federation will emerge from the wheeling and dealing of the next two years weaker than it is now. The big question is whether Quebec will be part of it.

FOREIGN AFFAIRS

How the democracies 'get smart'

Jurek Martin defends the wartime role of the media, including its exposure of crises of confidence in government

It is time to lay one prevalent current myth to rest. The United States did *not* lose the Vietnam war in the corridors of Congress and the columns of the Washington Post and the New York Times. The legislature and the press brought home to the American people that, no matter what their government and military told them, the war was *not* being won on the ground and in the air. The real American crisis of confidence stemming from Vietnam was in the credibility of government, *not* in the *ability to project force a long* way from home.

Why raise this old issue? In part it is because the conduct of the war in the Gulf draws on the Vietnam experience. It is also because the role of the press in reporting the conflict has now become an issue in itself. Even a cursory look at newspapers on both sides of the Atlantic demonstrates the latter fact. Only yesterday, the editor of The Times felt the need to argue that the presence of his reporters in Baghdad was not evidence of a lack of patriotism behind the war effort.

The current wisdom is that wars cannot be fought effectively if the generals have their hands tied by politicians and/ *or public opinion, shaped and* egged on by the media. This is what Ronald Reagan said for eight years as president, though, with the qualified exception of the invasion of Panama, he never had the fully-fledged military opportunity to put his words into practice. Mr Reagan had, in any case, a visceral dislike for what he saw as iniquitous liberal media. Mrs Thatcher shared this view.

So, in the Gulf, as not in Vietnam, US military commanders have been getting, as far as can be told, pretty much everything they want. General Norman Schwarzkopf does not have to go cap in hand to President Bush, as General William Westmoreland did to Presidents Johnson and Nixon. This is natural; wars tend to be fought on the basis of the military interpretation of the previous big conflict. Left unanswered are questions of whether General Westmoreland could have defeated North Vietnam if he had got all he wanted and, even if he had, whether the practical, moral and political costs would have been justified.

In the US and the UK, the Gulf though not welcome, is still popular, as Vietnam never was, from its murky and undeclared beginnings under President Kennedy. The cause seems justified, more concrete than was the domino theory; Saddam Hussein is a known villain, a more legitimate hate figure than Ho Chi Minh; the American and British forces are volunteers and reservists, not draftees; on the allied side, the dreaded body bags have so far been mercifully few in number.

There are two big differences, however, in the way this war is being reported. The most obvious is that the public is receiving eyewitness *accounts and pictures from* Iraq itself.

The second, on the allied side, is that the access and information on which the media is fed is being strictly rationed (another lesson from Vietnam, where an energetic press was increasingly able to circumvent its official minders). On both counts, the media find themselves again on the spot, accused of being tools in the hands of Iraqi propaganda and, by letting their frustrations show, of displaying insufficient loyalty to the allied cause.

In the US and the UK, the Gulf though not welcome, is still popular, as Vietnam never was, from its murky beginnings under Kennedy. The cause seems justified, more concrete *than was the domino theory*

It was always likely in Britain, where the Falklands means more than Vietnam, that the patriotic tabloid press and the rent-a-quote rabble on the Tory *right to whom the* BBC is the last surviving redoubt of the communist conspiracy would take exception to any squeak of dissent over the conduct of the war. It has been encouraging that Prime Minister John Major has so far declined invitations to join in another round of ritualistic Beeb-bashing.

In the US, where the duties and rights of the media are taken more seriously, some of the same reflex criticisms are evident, though very little of it from the White House. Senator Alan Simpson from Wyoming, an iconoclastic Republican often worth listening to, told Saddam Hussein, no less, early *last summer that the American* media were "haughty and pampered" and should be invited to *Iraq to "see for themselves".*

Two weeks ago, he accused the Cable News Network correspondent in Baghdad of being an Iraqi "sympathiser", even dragging in as "evidence" that Peter Arnett "is married to a Vietnamese whose brother was active in the Viet Cong". William F Buckley Jr, the dean of conservative columnists, wrote last week that CNN was selling Iraqi lies in return for the right to continue broadcasting from Iraq.

This is a load of "bovine scatology", as the well-known balletomane, Norman Schwarzkopf, is fond of saying. All reporting from Baghdad contains enough health warnings about Iraqi censorship that only the wilfully blind could *fall to notice. In fact, some of* the most interesting accounts have been provided by those journalists who have left Baghdad, generally for Amman, where they are free of controls.

Like other newspapers, the FT debated long and hard about whether to have a staff correspondent in Baghdad when hostilities broke out. We decided against because we felt there was an unacceptable level of personal danger (there was no lack of volunteers) and because we doubted the Iraqis would permit any meaningful reporting. Perhaps we were naïve, but the question of being used for propaganda purposes never entered into our deliberations. Of the other four national British quality dailies, two took the same view. But, having it both ways, all of us have carried reports by stringers and agencies from Iraq.

The level of frustration experienced *by the press in Saudi* Arabia is another matter and reflects less well on the profession. A parsimonious diet of news was always to be expected, as was the favouritism undoubtedly practised by the military commands to those journalists seen to be "on side". The New York Times has reported at length on both aspects in recent days.

But the fact is, and has long been, that there are both journalists (and editors) who are soldiers *manqués* – more so, apparently, in the era of techno-war – and those honcurably suspicious of the makers and fighters of war. There are many more in the middle, intent on giving as fair a picture as possible, but they tend *to get squeezed by the two* extremes. The military mind, which does not normally trust the media, finds it safer to offer the masses thin gruel and fancy videos.

In all this media introspection and patriotic flag-waving, one fundamental factor is often forgotten. As George Walden MP put it in a radio broadcast last week, "democracies get smart". The great mistake of US administrations in Vietnam was that they were not honest enough to trust their people. When the words and pictures *of a war going wrong came* flooding in – the photograph of the young girl running down a road on fire from napalm was the most graphic illustration of this – the chasm of mistrust really opened.

So we should know that allied bombing does cause civilian deaths in Iraq – we would hardly expect it otherwise – and we should know that there was reason to believe that that particular shelter was being used for military purposes. We understand that propaganda is a tool of *war which Saddam Hussein is* as likely to use as anybody else.

We are indeed perfectly capable of making up our own minds and the more we have to go on to make them up the better. And if this is journalistic arrogance, then we, in democracies, are better off with it than without it.

LETTERS

Energy market and Gulf war

From Mr Geoff Brown.

Sir, Professor Peter Odell's demonstration of the relative decline of the Gulf as a supplier to the world energy market (Letters, February 2) is perhaps useful in correcting some of the more catastrophic predictions of what might happen to oil prices that have been circulating in recent months. But he fails to prove his case that oil is essentially irrelevant to the Gulf conflict.

On his own evidence, the Gulf still provides oil costing tens of billions of dollars a year to the big industrial economies and no conceivable change of relative prices and/ or technologies will alter this fact in the foreseeable future. Where in the world is there a principal energy exporter with lower costs per energy unit than Saudi Arabia?

More importantly, the end of the Cold War has not abolished international rivalries. The decline of US economic strength relative to the rest of the world – mostly attributable to US arms spending – paradoxically increases pressure on the US to assert itself when challenged. Threats to even relatively minor interests, if left unanswered, will be perceived as weakness to be exploited elsewhere.

Oil interests are, therefore, tied to all other interests. It is not simply a war over oil, but there is no way the present conflict can be explained without a clear understanding of the crucial importance which oil has – and will have – in a world dominated by international rivalries.

Geoff Brown,
30, Church Lane,
Prestwich, Manchester

Fax service

LETTERS to the Editor may be faxed on 071-873 5938.

Letters should be clearly typed and not handwritten. Please set the fax machine for fine resolution.

Readers may also use a direct computer-to-computer link, but should first telephone our computer department on 071-873 4893.

Support for innovation

From Dr Mark Dodgson.

Sir, Charles Batchelor is right to welcome the government's increased attention to the problems of innovation in small companies (Technology page, February 12). *It is heartening* to hear Ministers Peter Lilley and John Redwood describing recent policy initiatives to help overcome the special difficulties that smaller companies face in developing new technologies.

But it should be pointed out that, compared to many other nations, the level of support funds available through these schemes is very small.

The amount available from the Spur and Smart schemes together (about £25m a year) is considerably less than one element of Germany's policy for supporting smaller companies in a single technology, microsystems (£46m a year).

The amount of direct support for technological innovation in Germany much more accurately reflects demand *from small companies.* Small German companies tend to receive 50 per cent of project cost, rather than the 30 per cent on offer through Spur.

It should also be remembered that the key to success in policy support in Germany is continuity. It is to be hoped that the Spur programme will not go the way of previous schemes such as the Small Engineering Firms Investment Scheme and Support for Innovation which, having proven their value, were discontinued.

Mark Dodgson,
Science Policy Research Unit,
University of Sussex, Brighton

Debate on pilots' hours

From the General Secretary, International Transport Workers' Federation.

Sir, Points raised in the article "European union to protest at changes in pilots' hours" by John Gapper (January 29), cannot go without some kind of an answer.

First, the draft document on pilots' flight time limits to which Mr Roger Mulberge, chairman of the British Airline Pilots' Association, takes such exception was unanimously rejected by the trade unions at a meeting in Brussels the day the article appeared.

Second, it is simply not true that the International Transport Workers' Federation has been *consulted* about the proposed new EC regulations and the pilots have not.

European Commission proposals on flight-time limitations have been discussed for the past three months by a special working group set up by the Joint Committee on Civil Aviation, an advisory body to the Commission represented on this committee. Under a long-standing agreement with the International Federation of Airline Pilots Associations (Ifalpa), pilot representatives have been nominated both to the committee itself and to its working groups.

The Flight Time group, for example, includes an Ifalpa member from Denmark.

To accuse the ITF of supporting moves which would worsen aviation safety is not just untrue – it is insulting.

To do so through the pages of your newspaper, rather than to our face is also hardly in the tradition of trade union solidarity to which our organisation has attached so much importance throughout its 100-year history.

If Mr Mulberge and his colleagues have issues they wish to discuss with us, we are available any time.

He doesn't even need to catch a plane.

Harold Lewis,
133-135 Great Suffolk Street,
London, SE1.

A final word

From Mr John Hassall.

Sir, Michael Baxandall (February 4) is way off the mark in explaining the phrase "to stand around like one of Lewis's."

It is a Manchester saying and relates to the practice of "professional ladies" waiting for business in the covered arcade of the store which is on the edge of Piccadilly.

I trust this finally puts this correspondence to bed.

J.F. Hassall,
9 Radcliffe Drive,
Halesowen, West Midlands

Better share option schemes

From Mr Michael Jacobs

Sir, Mr Ledingham's letter (February 13) illustrates the problems which a simplistic approach to this kind of employee incentive creates.

The object of a share option scheme is to permit employees to receive a benefit by buying shares in their employer at a price below market value at the time the option is exercised. Dilution of shareholders' equity in that company is thus a necessary consequence of such arrangements.

Complicated schemes, which are unpredictable in effect, complex to draft and virtually impossible for any normal employee to understand, add uncertainty to the package and are not directed to the real issue, namely that the reward should be related to an employee's or the company's performance in real terms. This is not accurately measured by share price against an index, even an FT index.

As can be seen from recent movements in the FT indices, what they measure is market (or market-makers') sentiment in times of historically low trading volume. Individual share prices, especially in the more vulnerable companies whose executives most need incentives to stay on through the recession, are most at risk in such times. Measuring their performance against any index is likely to produce valueless options if these are granted just before recession hits the share price – and excessively valuable options if granted at the bottom of the market.

Performance measures which are both relevant and practical are notoriously difficult to devise, but in practice must be based on a realistic assessment of an individual company's circumstances and prospects and not some arbitrary measure, particularly such a volatile one as that suggested by Mr Ledingham.

Share options are generally a blunt instrument. Trying to make them too sophisticated is doomed to fail, as the attempts to introduce performance-related criteria for super-options demonstrate. Schemes can be tailored to individual situations but they cannot usefully be shaped to meet "objective" cross-market criteria; nor should they be.

Michael Jacobs,
Nicholson Graham & Jones,
25-31 Moorgate, London EC2

FINANCIAL TIMES
Tuesday February 19 1991

Bank of England faces criticism on Harrods

By John Plender in London

THE BANK of England's failure to revoke the licence of Harrods Bank could be the focus of increased criticism by the British House of Commons trade and industry committee in the light of allegations made by a former top executive of House of Fraser, the bank's parent.

Mr Robin Leigh-Pemberton, the Governor of the Bank of England, is due to appear before the Commons committee today.

The allegations are contained in two highly critical letters sent to Mr Leigh-Pemberton by Mr Graham Jones, chief financial officer of House of Fraser Holdings between 1988 and January 1990.

The letters – the contents of which have been obtained by the Financial Times – assert that Mr Mohamed Fayed, the dominant shareholder in the stores group, takes a more direct interest in the management of the bank's operations than House of Fraser admits.

They cite an alleged attempt by Mr Fayed to procure a £100m deposit for Harrods Bank from the Sultan of Brunei.

Mr Jones also questions whether Mr Fayed could be regarded as a fit and proper person, within the terms of the 1987 Banking Act, to control a bank.

In his letters he claims that criticisms made of Mr Fayed's management style in a damning Department of Trade inspectors' report on the Fayed brothers' acquisition of the House of Fraser in 1985 applied with equal force to Mr Fayed's stewardship of the bank.

Some members of the committee are known to have been anxious to see control of Harrods Bank removed from the Fayed brothers since the publication of the damning Department of Trade Inspectors' report on the House of Fraser takeover. The report found that they had dishonestly misrepresented their origins and wealth to the government and persistently lied to the inspectors.

The Bank of England has wide powers to revoke the authorisation of a bank if it believes that the controlling shareholders are not "fit and proper" persons or have committed other breaches of the 1987 Act such as providing false or misleading information.

Allegations that Mr Fayed involved himself in the management of Harrods Bank were strongly denied yesterday by the House of Fraser director responsible for legal affairs, Mr Royston Webb. Mr Webb emphasised that the Fayed brothers were not directors of Harrods Bank and said that the bank was run by an independent manager.

He claimed that the only significant decision at the bank in which Mr Mohamed Fayed had been directly involved concerned the recent rebuilding of the banking chamber in the Harrods department store.

According to Mr Jones Mr Fayed arranged a £2m deposit from the Sultan of Brunei during the period when Mr Jones remained chief financial officer of the holding company.

This appears to contradict public statements by the Sultan that he had severed commercial relations with the Fayed brothers at an earlier date. House of Fraser's Mr Webb said he had no knowledge of whether the Sultan of Brunei still maintained deposits with the bank.

Mr Jones is one of a number of top executives to have left the House of Fraser group after a row. He departed in January, 1990, after a dispute with Mr Fayed over his management of the acquisition of Modena Engineering, a Surrey-based Ferrari distributor.

Last night Mr Kenneth Warren, MP, the House of Commons select committee chairman, confirmed that the committee had received a number of submissions from Mr Jones – some of which it had already accepted.

Yet the committee's ability to question the Governor is severely inhibited because Mr Leigh-Pemberton has consistently maintained that the 1987 Banking Act imposes on him a duty of commercial confidentiality.

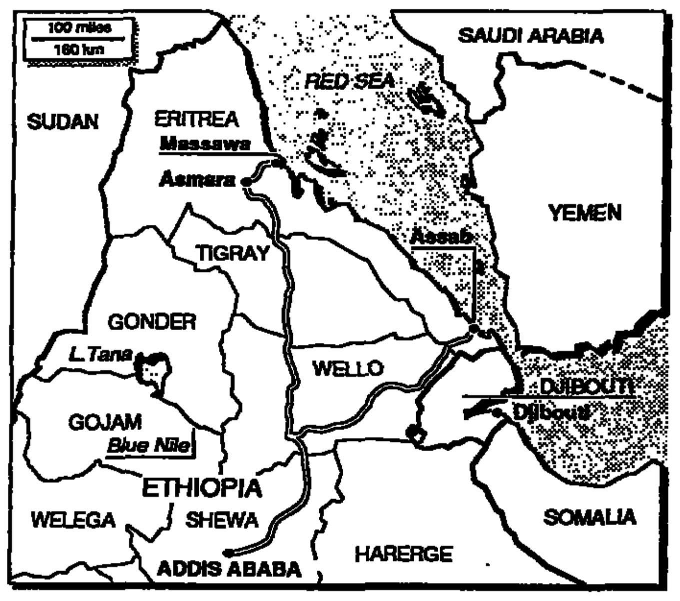
Eritrean peace talks offer glimmer of hope

Julian Ozanne in Nairobi

PEACE TALKS aimed at ending the Eritrean conflict, *black Africa's longest-running* civil war, open in Washington today amid signs that a consensus may be slowly emerging on the need for an interim agreement.

But the apparently intractable issues which have scuttled several previous attempts at resolving the 30-year-old conflict remain formidable: rebel demands for independence for Eritrea and the Addis Ababa government's non-negotiable insistence on the territorial integrity of Ethiopia.

Western diplomats in Addis Ababa say that the government has softened its position recently and may make a new proposal for federal status for Eritrea, guaranteed by external forces and with a referendum on full independence after several years.



These proposals largely reflect a five-point peace plan presented to both sides by the US last November. This falls far short of the rebel Eritrean People's Liberation Front demand for full independence but may represent the best compromise possible.

Most observers remain sceptical about a breakthrough but point to recent events which have improved the chances for peace. The most important of these is the growing thaw in relations between Ethiopia – once Marxist and Soviet-backed – and the US.

The direct involvement in the new peace talks by US officials, led by Mr Herman Cohen, assistant secretary of state for African Affairs, indicates the progress made between the two countries.

Ethiopia's support in the UN Security Council for the US position on the Gulf War and the government's easing of Ethiopian Jewish emigration to Israel have considerably eased tension between the two states. Signs of a new détente came last September when Mr Tesfaye Dinka, Ethiopia's foreign minister, met Mr James Baker, US secretary of state, at the UN – the first such meeting since the Ethiopian revolution of 1974.

For Addis Ababa, better relations with the US, including the possibility of the re-establishment of full diplomatic relations, are crucial to winning greater economic assistance for a nation with a per capita annual income of $97 – one of the lowest in the world.

Last year, talks with the World Bank and International Monetary Fund on a structural adjustment programme were blown off course by opposition by the US and other donors.

A second important development came last November when the government and the rebels reached an unprecedented agreement, after much internal debate, to allow the UN to re-open the rebel-held port of Massawa for relief convoys carrying food for thousands near starvation in Eritrea. This marked an acceptance on both sides that the military confrontation would have to be scaled down during the relief operation.

Victims of war: Eritrean children shelter next to a Soviet-made shell used in the construction of their school

The rebels had made impressive gains in the previous 18 months but had failed to take Asmara, the heavily fortified provincial capital of Eritrea. The government, faced with rapidly declining Soviet support, was locked into a purely defensive position.

Conditions for the talks look more favourable than in previous years but deep mistrust and entrenched positions remain in the path of peace.

THE LEX COLUMN

Oil prices look for a floor

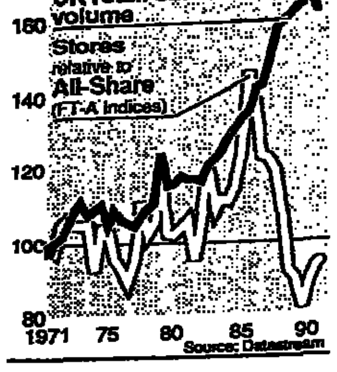
With Brent crude down to $16.85 a barrel, the oil market may have little further to fall before the whole thing starts looking like a re-run of the price collapse in 1986. With most of the developed world either in recession or close to it, this is scarcely bad news. But Brent crude's recent behaviour tells us little about the fundamental political economy of the oil market. If OPEC were to let supply and demand rip and the USSR's oil industry were not a shambles, the oil price would be at market-clearing levels below $10. But that is not the way the participants actually behave. Even if they did, the US would have to stop them for the sake of a quiet life and the Texas financial community.

The obvious reason for the oil price dropping is familiar to anyone who can say Tariq Aziz. Those who read the news agency wires know about others, such as weakening demand, the western world's 96 days of crude oil stocks, the big jump in Saudi daily production and all the Iranian oil sloshing about in Rotterdam.

But are these anything but very short-term factors? The important medium and long-term ones are that by late this year and next, demand is sure to be rising again, especially in the US: that Algeria, Iran and a post-war Kuwait and Iraq cannot be expected to tolerate an oil price below $20: and that the Soviet oil industry will probably still be a mess. And stable oil prices - that is, OPEC's artificially inflated ones - are probably a necessary condition for any peace in the Middle East at all.

Retail sales

On the face of it, January's UK retail sales figures show a levelling in the rate of decline. The three-month rolling average is down only 0.2 per cent from December. Last autumn it was falling three times as fast. But with the January sales apparently still going strong in mid-February, there is room for caution. Contrary to the impression sometimes given by the retailers themselves, retail volume has only been falling since August, when the economy as a whole went into recession. That was a full two years after interest rates had been cranked up in an attempt to choke off consumer spending. Now that the UK is in the ERM, the effective policy is to use the dole queue to impose cuts in real wages. It scarcely sounds the recipe for a consumer-led recovery.



The implications for retailing shares are slightly ambiguous. Historically, the sector's performance against the market fitted pretty well with the trend in retail sales volume. That relationship came to pieces with the collapse of the sector in 1985, a *full three* years before sales volume even started to slow down. The reason was the industry's headlong rate of expansion, which the market realised would end in disaster. If the sector's fall was not a function of the cycle, it might be argued that its rise will not be either. Hence, perhaps, its 14 per cent outperformance in the course of last year.

The snag is that the industry's structural problems are not behind it. This year promises double-digit wage inflation and an accelerating rate bill. Cost inflation is roughly double that of selling prices, while volume is falling or at best flat. Cyclical or recovery stocks like Dixons and Storehouse are on close to 20-times prospective earnings. It all seems a little premature.

BET

There is little in yesterday's announcement to lift the shadow over BET. Even the management shake-up is not what it seems. There is widespread suspicion in the City that the wrong man has been been shot. That apart, the decision to find a partner for the Biffa waste management business or even sell it is the most vivid sign to date that the game has changed. It may be wise for BET to admit at this stage that powerful players like the UK water companies and Lyonnaise des Eaux are better placed to exploit this market. But though a deal for Biffa will boost interest cover and the bottom line, it will do nothing to alter the image of a dull service conglomerate with poor quality earnings and few barriers to entry. With the shares back at 129p the market is at least reassured that BET is not another Saatchi or WPP. But if the downside is limited by a 9 per cent yield, there are still many questions unanswered.

Utilities

The rumpus about UK electricity prices brings to mind a thesis currently in vogue about the UK's privatised utilities. This says that since the utilities are commonly privatised on a five-year regime, they are given a five-year run at exploiting their monopolies. The regulator then cracks the whip and the fun is over. It therefore pays to buy all the utilities when they are immature and dump them as soon as they look like turning into British Gas or British Telecom.

The thesis is perhaps a trifle sweeping. It may be that the chief investment risk for the water companies, say, is that of being stopped in the long run from pushing their prices up by enough to make a return on their capital spending. But the burden of capital spending in electricity falls mostly on the generators, who are scarcely regulated at all. Whether the distributors feel it advisable to raise their prices by the full amount to which they are entitled will be a useful pointer to their own assessment of the long-term political threat. But the real reason for the recent strength of water and electricity shares is probably simpler. They were privatised on a promise of real dividend growth – about 4 per cent compound over five years – which looks more absurdly generous as time goes on.

Thames TV

Yesterday's offer document from Thorn EMI for Thames Television leaves shareholders none the wiser about the value of Thames should it lose its franchise. Soothing noises are made about assets like the programme library and ITN. But there are no new figures. It is perhaps some comfort to know that should the franchise be lost Thames will save on some chunky bonuses to its chief executive and a couple of other directors: £275,000 to the boss within one month of Thames being awarded a Channel 3 licence, 15 months basic salary to the others.

Brazil agrees $3bn loan rescue package for troubled banks

By Christina Lamb in Rio de Janeiro

THE BRAZILIAN government has agreed a two-month $3bn bridging loan to state-owned banks in the country's four biggest states, to rescue them from possible liquidation.

The decision is aimed at winning support from the state governors and the members they control in Congress for President Collor's new economic plan, which is due to be voted on this week.

Mr Jarbas Passarinho, the justice minister, insisted that the loan was not linked to political motives but was to enable the government to "evaluate" the banks and avoid central bank intervention to close them, a decision which he said could be "imminent".

But it is no coincidence that the states involved – São Paulo, Rio, Minas Gerais and Rio Grande do Sul – are those with the most economic and political power and whose new governors, due to take office next month, are all from the opposition.

In order for their state banks not to face the threat of closure at the end of the 60-day loan period, these governors will now be forced to comply with the federal government's latest austerity package.

State banks have regularly been used by state governors to finance deficit spending.

The government believes one reason for the failure of its first economic plan was high spending by states, particularly in the run-up to gubernatorial elections last autumn, putting pressure on the monetary supply and jeopardising its tight monetary policy.

In December alone, the monetary base expanded a real 33 per cent.

The decision to bail out the banks – at least temporarily – is a reversal of previous policy. Last September the central bank closed down 13 state banks and regional institutions which could not meet required reserve levels.

Banks say the main reason for the crisis is the high interest rates that the central bank has been setting, as high as 15 per cent a month in real terms, which left many institutions over-exposed.

To sell state government bonds to a squeezed financial market, state banks had to offer even higher rates, a situation worsened by election spending.

By last Friday their daily debt to be rolled over had reached more than $4bn, which the central bank said it would no longer finance.

The state governors were not all happy at the government's attempt to force them to comply with its economic plan.

Mr Orestes Quercia, Governor of Sao Paulo, insisted his party, the largest in Congress, would continue in opposition.

He said "the federal government is not doing the states any favours.

It was the government which caused this situation by drying up the money in the marketplace."

Japan's money supply growth slows, central bank reports

By Robert Thomson in Tokyo

JAPAN'S money supply growth slowed significantly in January, confirming the success of the Bank of Japan's tight money policy and heightening expectations of a cut in official interest rates in coming months.

Money supply grew by only 7.3 per cent during the month – down from a revised 8.5 per cent growth in December, according to figures released yesterday by the central bank.

The bank attributed the fall to a slowdown in commercial bank lending growth, a decrease in financial institutions' commercial paper holdings, and funds moving to assets outside the money supply gauge.

The central bank has urged banks to cut lending growth, partly because of fears about their exposure to property-related loans and partly because of the banks' problems in meeting international capital adequacy requirements.

Ms Chiharu Sumita of UBS Phillips & Drew said that the January figure would please the central bank but was unlikely to prompt an immediate cut in the official discount rate, which has been raised five times since May 1989 to 6 per cent. "Money supply growth has been in double figures for so long that the bank would be happy with a couple of months of very slow growth. We predict that growth could be below 7 per cent this month," she said.

Central bank officials believe that the surge in the Tokyo stock market over the past week is premature and fear that lowering the official discount rate would add unwanted momentum to the market. They are are also concerned that prices are still rising.

Pavlov details price plans

Continued from Page 1

The three dates under discussion for implementation of the prices package are understood to be March 1, March 11 and March 18. All are ominously close to the national referendum summoned by Mr Gorbachev on March 17 to decide whether the Soviet Union should be preserved at all as a "renewed federation".

Mr Pavlov revealed that Saturday's meeting of the Federation Council – now the supreme executive body under Mr Gorbachev, bringing together the leaders of all the union republics – failed to agree on the issue.

He said the revolt was led by Mr Boris Yeltsin's Russian federation, along with Ukraine and Belorussia, all of which insisted that while the centre could set the prices, they would decide on compensation. The obvious political attraction is that the unpopular price rises would be blamed on Mr Gorbachev, while compensation would earn greater popularity for the republican governments.

The government plan is to pay out initial lump sum compensation, adjusted in favour of the poorest, and follow that with indexation to cope with inevitable future price rises.

The issue looks set to become the bone of contention in the struggle for power between the central government of Mr Gorbachev and the restive union republics.

Mr Pavlov said the poorer, raw material-producing republics (as in central Asia) would not be able to afford the same levels as the industrialised republics.

Soviets set deadline

Continued from Page 1

The White House has publicly supported Soviet efforts to persuade Iraq to pull out in line with successive United Nations resolutions, but US officials are worried that strings may be added.

Senator Richard Lugar, a former Republican chairman of the Foreign Relations Committee with close links to the White House, said yesterday that US and Soviet aims were different. "It appears the Soviets would be prepared to see Saddam continue and in fact are afraid that Iraqi power will not continue. And we are afraid of that."

The alliance continues to threaten Iraq with an imminent combined forces invasion of Kuwait in the absence of an Iraqi agreement to withdraw.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	13	55	Berlin	S	4	39	Caracas	F	36	97	Faro	C	11	52	Islamabad	F	19	66
Algiers	F	14	57	Biarritz	F	11	52	Casablanca	C	13	55	Florence	C	9	48	Istanbul	R	6	43
Amsterdam	C	3	37	Bombay	S	25	77	Chicago	C	1	34	Frankfurt	S	0	32	Jakarta	R	31	88
Athens	F	15	59	Bordeaux	F	12	54	Cologne	S	3	37	Genova	F	4	39	Jersey	F	4	39
Bahrain	-	-	-	Boulogne	F	5	41	Copenhagen	S	0	32	Gibraltar	R	12	54	Johannesburg	T	22	72
Bangkok	F	35	95	Brussels	S	3	37	Corfu	C	14	57	Glasgow	F	4	39	Lima	F	24	75
Barcelona	F	13	55	Budapest	S	1	34	Dallas	S	14	57	Helsinki	Sn	-8	18	Lisbon	S	11	52
Beirut	-	-	-	Buenos Aires	F	27	80	Dublin	C	6	43	Hong Kong	C	17	63	London	C	6	43
Belfast	C	4	39	Cairo	S	21	70	Dubrovnik	R	8	46	Innsbruck	S	1	34	Los Angeles	S	16	61
Belgrade	S	3	37	Cape Town	S	22	72	Edinburgh	C	4	39	Inverness	S	4	39	Luxembourg	S	1	34

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	16	69	Milan	S	7	45	Nicosia	F	29	84	Salzburg	S	-2	28	Tenerife	S	16	61
Madrid	Sl	1	34	Montreal	S	-17	1	Oporto	S	12	54	San Francisco	S	10	50	Tokyo	C	7	45
Majorca	F	14	57	Moscow	C	-7	19	Oslo	S	0	32	Seoul	C	2	36	Toronto	C	-5	23
Malaga	C	14	57	Munich	C	-6	21	Paris	C	1	34	Singapore	F	32	90	Tunis	F	15	59
Malta	S	15	59	Nairobi	S	30	86	Peking	C	2	36	Stockholm	S	-7	19	Valencia	C	12	54
Manchester	C	5	41	Naples	F	13	55	Prague	C	0	32	Strasbourg	C	-1	30	Venice	S	6	43
Manila	F	27	81	Nassau	F	21	70	Reykjavik	C	4	39	Sydney	F	23	73	Vienna	S	0	32
Melbourne	S	27	81	New Delhi	-	-	-	Rhodes	F	16	61	Taipei	C	17	63	Warsaw	S	-1	30
Mexico City	-	-	-	New York	C	1	34	Rio de Janeiro	C	31	88	Tangier	C	11	52	Washington	C	2	36
Miami	S	18	64	Nice	C	10	50	Rome	C	12	54	Tel Aviv	-	-	-	Zurich	F	1	34

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Companies adopt 'safe computing'

Friday the 13th. Creeper and Reaper. Flu Shot 4. To the uninitiated they sound like the latest Hollywood film releases. But those who have been affected by them know better. They have found out to their cost that these are computer viruses — codes which replicate themselves from one computer to another and then alter or destroy software. Della Bradshaw looks at ways in which companies can protect themselves. Page 27

Impending fall for Olivetti

Olivetti's earnings for last year will not make happy reading. They will be announced on April 19. But mention the impending downturn to Vittorio Cassoni (left), the polished managing director of Italy's computers and office equipment group, and he is quick to temper the conversation with achievements made in staving off losses in a dire year for all Europe's computer makers. Haig Simonian reports. Page 20

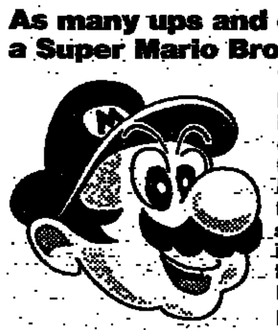
Row brews over Courtney Pope

A stormy meeting looms. People owed money by a clutch of subsidiaries belonging to Courtney Pope (Holdings), the UK shop-fitting and engineering group, are likely to get together next month. And they will be angry. For the receivers at Courtney's lighting subsidiaries will probably say that little, if any, of the asset-sale proceeds will be left over to pay them. This is despite the fact that the parent company, which recently appointed Ronnie Aitken as chairman, and other parts of the group remain in business. Jane Fuller reports. Page 25

Oce up to Fl 85.7m

Oce van der Grinten, the Dutch copier and office systems group, said 1990 net profit showed a slight rise to Fl 85.7m ($51.9m) from Fl 84.7m in 1989. Sales increased 9 per cent to Fl 2.33bn, while operating profit rose 8 per cent to Fl 156.6m. Page 20

As many ups and downs as a Super Mario Brother



Toymakers hit the big time with a Cabbage Patch doll or computer game and their fortunes soar. However, when the toy's popularity fades so often do the profits and share price of the company involved. Over the past month or so, people have been asking whether Nintendo, the video game maker of such successes as Super Mario Brothers (Mario shown above), can stay the pace. Emiko Terazono assesses the group's prospects. Back page

Oiling the wheels of Nigeria

Oil is flowing thicker and faster in Nigeria. The government has set ambitious targets for the industry and the seven foreign oil companies involved in joint ventures in the country have all announced big expansion plans. Yet despite the opportunity opened up by the Gulf crisis, several factors may limit the sector's growth. Project-financiers are finding the investment climate soured by Nigeria's $35bn international debt and doubts surround the ability of the state-owned Nigerian National Petroleum Corporation (NNPC) to fund its share of the expansion programme. William Keeling reports. Page 28

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Allianz AG	2548	+	98
Bayer-Hypo	389	+	17
Daimler-Benz	587.5	+	24.5
Springer Ax Rg	690	+	15
Volkswagen	373	+	18
Falls			
Lahmeyer	980	−	34
PARIS (FFr)			
Rises			
Accor	738	+	37
Bancaire Cie	543	+	18
Beghin-Say	700	+	28
Intertechnique	1220	+	61
Skis Rossignol		+	
Falls			
Midi Cie Du	1097	−	27
TOKYO (Yen)			
Rises			
Katsumura	1370	+	200
Meiji Ship	1350	+	200
Nitto Flour	1450	+	200
Seika	770	+	100
Takuma	1410	+	200
Wakamoto	1300	+	200

New York closed.

LONDON (Pence)			
Rises			
Ambrose Cap.	600	+	30
Ashtead	90	+	7
BET	129	+	7
Barry Birch	78	+	20
Colorgraphic	85	+	13
Cowie (T.)	52	+	8
ICI	1019	+	19
Lloyds Bank	333	+	10
Metal Bulletin	128	+	15
Rothmans B	795	+	25
Scholes	109	+	13
Taylor Woodrow	275	+	10
Tilbury	805	+	35
Tyne Tees TV	289	+	15
Wimpey (G.)	190	+	10
Falls			
Barratt (H.)	81	−	11
Gowrings	34	−	6
Smith (WH) A	332	−	11
TSB	53	−	15
Turriff	95	−	29

TNT blames Gulf war for 31% fall

Sir Peter Abeles: warning on war

By Kevin Brown in Sydney

TNT, the Australian-based transport group, yesterday blamed the Gulf war and recession in some of its main markets for a 31.5 per cent fall in interim net profit to A$49.4m (US$39m). Turnover was up 8.9 per cent at A$2.45bn.

The result was in line with analysts' expectations, and the shares closed 5 cents higher at A$1.50, double the all-time low of 75 cents reached last month at the height of market concern about the group's A$2.9bn debt.

Sir Peter Abeles, chief executive, said full-year net profits would be below last year's A$140m, and warned that a protracted war in the Gulf could have a serious effect on TNT's worldwide activities. But TNT was well placed to benefit from the reconstruction programme in the Middle East which would follow the war.

TNT's net profit was down 67 per cent after including an abnormal loss of A$22.5m, largely reflecting unrealised foreign exchange losses.

The group said it had recovered the loss since the balance date.

Revenue fell in Australia, Canada and Brazil, reflecting the worsening economic conditions in those countries, but increased substantially in the US, continental Europe and the UK, where the effects of recession were offset by the group's market dominance.

Operations in Australia remained profitable overall, but the contribution to full-year profits would be significantly reduced by a squeeze on margins caused by intense competition in a shrinking market, he said.

Ansett Transport Industries, jointly owned with Mr Rupert Murdoch's News Corporation, made a "modest" net profit, but was suffering from recession and increased competition caused by the deregulation of domestic aviation. Ansett New Zealand was still making losses in spite of significant capital investment, but had achieved 40 per cent market share. Ansett Worldwide Aviation Services (Awas), made "an increased and significant contribution" to profits, the group said.

Sir Peter said Mr Murdoch had confirmed that News Corporation had no intention of selling its 50 per cent share in the Ansett companies as part of its proposed asset disposal programme.

The group said its liquidity was strong and its debt profile "well balanced". However, the board would have to decide at the end of the year whether to write down some investments to market value.

The board declared an unchanged second-quarter dividend of 3.75 cents per share.

Long view from the top of Canary Wharf

Bernard Simon and **Vanessa Houlder** explain how the Reichmanns are facing up to mounting pressures

Ever the master of the very long game, the Reichmann family, New York's biggest office landlord and developer of the huge Canary Wharf project in London, is turning necessity into virtue to deal with the growing financial pressures on its vast empire.

Confronted by sagging property markets, hesitant lenders, and lacklustre commodity prices, the Toronto-based Reichmanns are gradually undoing their grand diversification of the past decade to concentrate their energies and financial resources on the business they know best – real estate.

So far they have sold a few investments such as the 9 per cent stake in Allied Lyons, the British drinks group, that fetched £395m ($778m) on Friday. But much more of their portfolio of investments in publicly quoted companies, currently worth about C$4.5bn (US$3.90bn), is likely to follow.

A Toronto analyst preparing an exhaustive report on Olympia and York, the family's privately-held flagship company, goes as far as to predict that the Reichmanns will in time put all their remaining non-real estate assets on the block, including large controlling holdings in Abitibi-Price, one of the world's biggest newsprint makers, and Gulf Canada Resources, an oil and gas producer.

The degree to which this change of direction is a voluntary strategy prompted by the Reichmanns' legendary foresight or a forced march dictated by unprecedented financial strains can only be guessed at.

While the family's master strategist Mr Paul Reichmann has become more accessible to the media in the past year or two, O&Y remains tight-lipped on its financial condition. Even lenders to O&Y projects are given information only about specific units, but none about the parent company.

Mr Reichmann believes that O&Y is responding in timely fashion to a profound long-term shift in the world of corporate finance. His view is that credit markets will be more difficult to tap in the 1990s than in the 1980s, and that liquidity will thus be the key for financing growth.

But the change in direction is probably not quite as relaxed as the Reichmanns would have outsiders believe. Even without knowing the details of O&Y's performance, it is obvious that these are not easy times for the company. Its real estate holdings, concentrated in New York, London and Toronto, have clearly not escaped the slump in the commercial property market.

O&Y keeps the financial details of its £4bn Canary Wharf project under wraps. But it seems possible that the project is putting pressure on O&Y, because Canary Wharf's occupancy rate, rents and prospects for rental growth could well fall short of its assumptions. In addition to the recession and uncertainty induced by the Gulf war, O&Y has to contend with an oversupply problem. After a building bonanza in the last few years, nearly a sixth of all property in the City of London stands empty.

Canary Wharf has been dogged by Dockland's transport problems. A flurry of deals last summer brought the occupancy rates for the first two phases close to 50 per cent. But lettings have ground to a halt. O&Y concedes it is unlikely to let 70 per cent by this summer, as hoped. "We are hopeful we can do [another] 600,000 to 700,000 square feet by the end of this year," says Mr Robert John, a director.

O&Y's problem is that its price advantage over the City, which used to charge twice as much in rent as Canary Wharf, has shrunk. City rents have tumbled and could force O&Y's rents to follow suit. The company argues, though, that as Canary Wharf gains credibility, the discount between it and City rents should narrow.

This argument is met with scepticism by many in the property industry. The quality and design of Canary Wharf draws admiration, but UK companies have proved more conservative in their choice of location than O&Y had bargained for.

Given the dismal state of the market, there has been much speculation about whether O&Y will forge ahead with the next phase of the development. The four buildings are on the drawing board and O&Y expects that they will go ahead as planned. However, it is not cut and dried.

"If we did not let any more space over the next 12 months it would be a brave person who would carry on," says Mr John.

After financing the early construction of Canary Wharf from its own capital and corporate debt, O&Y started to borrow money against the project last year. In November it completed a £500m interim financing package. The company is now seeking a further £600m, secured on specific buildings. Mr John says he expects to secure mortgage financing on some buildings this year.

Life is almost as challenging these days for O&Y in New York. The family had scooped up some prime Manhattan buildings at bargain prices when New York was on the ropes in the mid-1970s. The subsequent property boom helped fund a broad diversification. But now the shine is off the Big Apple.

At the same time, lenders and investors have become more wary, even of the Reichmanns. The family has spent the past year looking for a buyer for a minority interest in a large parcel of US properties. Last month, Standard & Poor's downgraded to single A from double A ratings on two series of bonds issued to finance an O&Y building in Manhattan's financial district.

Despite these difficulties, the strength of the Reichmann empire should not be under-estimated. Its portfolio of buildings includes some of the finest in New York and Toronto,

Furthermore, as the £395m realised from the sale of the Allied-Lyons stake shows, disposal of the non-real estate assets could raise substantial amounts of money to tide the Reichmanns over the rough times in the property market.

How quickly they will want to unload these investments will no doubt depend on progress in signing up tenants for Canary Wharf and the timing of a turnaround in the New York office market.

Paul Reichmann: showing foresight or on a forced march?

UK builder plunges into the red and omits payout

By Andrew Taylor in London

SHARES of Turriff Corporation, the UK construction and plant hire group, fell by almost a quarter from 124p to 95p after the group revealed yesterday that it had made a loss last year and warned that it would not pay a final dividend.

Turriff said it made a pre-tax loss of about £1m ($1.96m) for 1990 compared with a £5.82m profit in 1989. The result was even worse than the group had expected when it warned of a downturn last October.

A sharp deterioration in the commercial property market had forced it to make significant provisions against the cost of carrying joint venture developments, the company said. The effect of these and other provisions had been to eliminate the group's trading profits last year.

Turriff directors also warned that they felt that group borrowings remained too high. In a bid to raise cash, Turriff had sold the group's marketing services companies. It also proposed a repayment of £2m to the company of a surplus on the group's pension fund. This payment was due to be received in autumn this year, said Turriff. It said it was continuing to work within its "agreed banking facilities".

A group statement said: "In view of the adverse trading conditions which the group is experiencing and the uncertain prospects for the UK economy, together with the current high level of debt, the board believes that it would not be in the interests of the group, and therefore its shareholders, to declare a final dividend." Turriff had previously warned of a sharp fall in demand for plant hire equipment as the recession in the UK construction industry deepened.

Other building industry setbacks, Page 26

Nedlloyd and Hagen fail to agree on disposals strategy

By Ronald van de Krol in Amsterdam

NEDLLOYD, the Dutch transport and energy group, said that Mr Torstein Hagen, the Norwegian businessman, is urging the company to divest its non-core activities and give him and his associates two seats on an expanded supervisory board.

The company, which announced on Monday that it had met with Mr Hagen yesterday for a second round of talks, replied that "rushed" divestments would not be wise.

Yesterday's statement was the first time that either side divulged details of their talks since Mr Hagen disclosed in January that he controlled 23 per cent of Nedlloyd's share capital and that he had won the backing of other shareholders for a streamlining of the company.

Mr Henk Rootliep, Nedlloyd's chairman, said last night that the talks with Mr Hagen had been "very open". The two sides agreed that Nedlloyd's core activities were shipping and land transport, but disagreed on the pace of non-core disposals.

Nedlloyd also said that it had put forward a compromise proposal to Mr Hagen about representation on the supervisory board but no agreement was reached. Mr Hagen could not be reached for comment.

According to Mr Rootliep, Mr Hagen accepted that some of Nedlloyd's interests, such as those in aviation, could not be sold easily at the moment because of the downturn in air travel. Otherwise, however, Mr Hagen believes that practically all of Nedlloyd's other non-core businesses should be divested.

"The biggest difference in approach is the speed at which divestments should be made," Mr Rootliep said. He added that Nedlloyd felt individual divestments should be on their merits and that not all its non-core businesses needed to be sold.

According to Nedlloyd, Mr Hagen is seeking an expansion of the company's current eight-member supervisory board to 13 members. Two of these seats would then be filled by officials of Marine Investments, Mr Hagen's Luxembourg-based investment company.

Nedlloyd countered by offering to appoint one person acceptable to both sides to the board. Last week, the company called an extraordinary shareholders meeting for March 14 to lay out its strategy.

Repsol lifts pre-tax profits 4.2%

By Peter Bruce in Madrid

REPSOL, the Spanish energy conglomerate 68 per cent owned by the state, yesterday reported net profits of Pta67.7bn ($735m) for last year, a 5.1 per cent increase over 1989. Excluding extraordinary items, pre-tax profits rose 4.2 per cent to Pta105.5bn.

Analysts said Repsol had been unable to take full advantage of the rise in fuel prices after the invasion of Kuwait last autumn. Nevertheless, the results appeared to be "reasonable" and in line with US refiners.

Operating profits had risen 6.3 per cent to Pta109.2bn and Mr Oscar Fanjul, the group's chairman, insisted "these results have been achieved despite the fact that we have been applying prices well below those set by the government".

Operating profits at the group's refining and marketing division rose by a third to Pta71bn, largely because of higher petrol prices towards the end of the year but, the group said, its petrochemicals operations, which account for close to 40 per cent of Repsol's business, continued to be hampered by tight margins.

Repsol took a charge of Pta7.4bn last year to finance a new retirement plan in Campsa, the petroleum distributor in which it has a controlling interest, and company officials said it had been unable to repeat 1989's large tax deductions, forcing the group's tax charge up 136 per cent to Pta30.3bn.

Although the market views Repsol's stock, which closed yesterday at Pta2,520, as slightly overvalued, the company's strong new exploration efforts in North Africa and South America and its strengthening position in the Spanish gas market could considerably boost its medium-term profits performance.

Repsol acquired Gas Madrid, the monopoly supplier to the capital, last year and is preparing, with the large Catalan savings bank, La Caixa, to assume control of Catalana de Gas, the country's biggest distributor, with 37 per cent of the market.

Spain lags well behind the European Community average in gas usage and the industry's prospects seem very secure. But the state controls Repsol through the same institution that owns Enagas, the publicly owned Spanish gas importer.

Enagas is a candidate at least for part privatisation and could, in that event, also fall under Repsol's wing. Given that and the 12 other controlling interests Repsol has in other smaller private sector distributors, many analysts believe the group could fall foul of EC competition law.

NMB Postbank defends Nat-Ned merger proposal

By Ronald van de Krol in Amsterdam

NMB Postbank, the Netherlands' third-largest bank, defended its plans to merge with Nationale-Nederlanden, the country's leading insurer, at an extraordinary shareholders' meeting yesterday.

Mr Willem Scherpenhuijsen Rom, the chairman of NMB Postbank, said the merger was of strategic importance to both companies and predicted that further consolidation in Europe's banking and insurance would take place in the next few years.

Nat-Ned is scheduled to hold a similar extraordinary shareholders' meeting today in The Hague.

A spokesman said the meeting would have an "informative" character and no votes were expected or planned.

Some of Nat-Ned's institutional shareholders have been highly critical of the merger, even after the prospective partners sweetened their offer to Nat-Ned shareholders by Fl 6.50 a share in late January.

Aegon, the Dutch insurer which has built up a 10 per cent stake in Nat-Ned, has tried to rally opposition to the merger, but its chances of success are regarded as slight.

Shareholders have until March 1 to tender their shares.

Separately, NMB Postbank announced it has established a 50-50 consultancy joint venture with the Czechoslovakian bank Vseobecna Uverova.

The joint venture, to be called NMB-VUB Poradenska, will offer financial advice to local and foreign companies from its base in Bratislava.

Last year, NMB Postbank formed a similar type of joint venture in Poland with Bank Handlowy w Warszawie.

Oce net profit rises to Fl 85.7m

OCE van der Grinten, the Dutch copier and office systems group, said 1990 net profit showed a slight rise to Fl 85.7m ($51.9m) from Fl 84.7m in 1989, writes Ronald van de Krol.

Sales increased by 9 per cent to Fl 2.33bn, while operating profit rose by 8 per cent to Fl 156.6m.

The smaller rise in net profit compared with operating profit was due largely to an increase in financial charges to Fl 33m in 1990 from Fl 24m in 1989.

In office systems, sales rose by 7 per cent to Fl 1.2bn, which Oce attributed to favourable customer reaction to its new generation of copiers.

In design engineering, sales rose 12 per cent to 1.1bn.

Most of this increase reflected the acquisition in 1989 of Schlumberger's graphics division, which has since been renamed Oce Graphics.

The company said it could not make a concrete forecast for 1991 results because of the general climate of uncertainty.

But it said its sales and results were expected to benefit from a series of measures introduced in 1990, including the extension of its product range and co-operation with third parties.

BET to sell waste management arm in cost-cutting review

By David Owen in London

BET, the debt-laden business services group, is to sell some or all of Biffa, its waste management arm, as part of a far-reaching review of its funding capability and management structure.

The company aims to make an annual saving of about £20m ($39.4m) through a series of organisational changes and staff cuts.

It confirmed yesterday that Mr Nicholas Wills will succeed Sir Timothy Bevan as chairman. Sir Timothy retires in May. A short list of four external candidates to replace Mr Wills as chief executive has been prepared.

Commenting on the possible sale of Biffa, Mr Wills said BET could not afford to expand as quickly as the big international players of the waste management industry.

"The world leaders in the waste market will be committing substantial resources in the UK," he said. "The idea is a joint venture – but were someone to offer an extremely high price, I think we would want to look at it."

Mr Wills said BET was entering "serious discussions" with several parties who had approached it regarding Biffa over the past two years.

Likely candidates would include the majority of the recently-privatised UK water companies, Laidlaw of Canada and Waste Management of the US.

Waste Management last month formed a £125m venture with Wessex Water. The Chicago company's annual European revenue has grown from less than $50m to more than $700m in the past 18 months.

BET may eventually seek similar joint venture partners in other businesses. "Where rapid development of a more capital intensive operation is appropriate, this may well be funded by attracting outside partners," the company said.

Biffa, which vies with Shanks and McEwan for leadership in British waste management, made operating profits of £13.9m on revenues of £78m in the year to March 1990. Significant increases are forecast on both counts in the current financial year.

Mr Wills said the "streamlining" was "built around the somewhat obvious fact that we have had to contract at the coal face.

Redundancies could run into hundreds, he said. "These operations have to be serviced by smaller overheads."

Italian insurers in venture

By Haig Simonian in Milan

THREE of Italy's biggest insurance companies are poised to launch a new life insurance venture in conjunction with one of the country's leading banks.

Generali, Italy's biggest insurer, is expected to take a 50 per cent stake in the new company, which will sell life insurance exclusively through the branches of Banca Commerciale Italiana (BCI), Italy's fifth biggest bank.

A further 18 per cent holding will go to Riunione Adriatica di Sicurta (RAS), the Italian subsidiary of Germany's huge Allianz group, while Toro, the insurance subsidiary of the Fiat group, will have 10 per cent of the shares, according to preliminary reports.

BCI will take a 22 per cent holding in the new venture, which which will be managed by Generali. The bank currently has over 550 branches, and plans to open around 300 more by the mid-1990's.

A date has not been revealed for the formal start for the new insurance venture, which has yet to be named. Approval will also be necessary from Italy's insurance regulatory authority.

BCI, which is one of the banks owned by Italy's public-sector IRI holding company, has traditionally maintained close links with the Trieste-based Generali group, and many observers have already detected the hand of Mr Enrico Cuccia, the veteran honorary chairman of Mediobanca, the Milan-based merchant bank, behind the latest deal.

Fondiaria, the Florence-based insurance group which last year announced it was discussing wide-ranging collaboration plans with BCI, is not included in the venture.

Fondiaria said yesterday it had declined an invitation from BCI to join the new venture because it was not being offered management control.

According to the company, which last month signed a cross-marketing deal with Credito Romagnolo, a big regional bank in Emilia Romagna, it is not possible to create "a project of strategic relevance" without "an exclusive partnership" relationship between the banking and insurance sides.

Olivetti set for a very tough year

Haig Simonian on the difficulties facing Italy's computers group

MR Vittorio Cassoni, managing director of Italy's Olivetti computers and office equipment group, likes to take the rough with the smooth. So any mention of the inevitable slump in earnings for last year, due to be announced on April 29, is quickly tempered with talk of the achievements made in staving off loss in a dire year for all Europe's computer makers.

Olivetti's figures will not make happy reading. Although sales last year remained static, at L9,040bn ($8.15bn) against L9,031bn in 1989, net profits will be a far cry from the L202.8bn made in 1989.

Analysts estimates range between L80bn and L140bn, although the figure is more flexible than usual this time given the leeway the company has in deciding how much of the cost of the 7,000 redundancies it recently finalised to ascribe to its 1990 accounts.

And Mr Carlo De Benedetti, Olivetti's chairman and main shareholder, has heightened the guessing game by saying in a recent interview that earnings would be around $100m, without indicating whether than meant before or after tax. Whatever the numbers, Mr Cassoni is not alone in echoing Mr De Benedetti's view that Olivetti's performance last year left him "disappointed as a shareholder, but proud as manager".

Mr Cassoni said: "From a management standpoint, we must recognise that we've done a few things right". Sales would have been 2 per cent higher in 1990 had it not been for the strong lira, he claims, and they would actually have risen by 15 per cent if expressed entirely in dollars.

Moreover, with 80 per cent of manufacturing based in Italy, which had an inflation rate of 6.5 per cent last year, the company was also squeezed on the cost side.

Olivetti's difficulties come against an overall market in which growth has been shrinking. In Europe, which accounts for some 80 per cent of its turnover, unit sales growth in personal computers slowed to 13 per cent last year from 30 per cent in 1989. By comparison, Olivetti's unit sales in Europe climbed by 22 per cent in 1990 and by 39 per cent excluding Italy.

Growth in European demand for computers will probably slow even further this year. "It will be a very tough year, and the reasons were there even before the Gulf crisis," Mr Cassoni said.

Olivetti's response has been to stamp on costs, notably numbers employed. This year's 7,000 lay-offs follow the loss of 3,000 jobs in 1990, cutting the workforce by 17.5 per cent from almost 57,000 at the start of 1990 to an expected 47,000 at the end of this year.

Admittedly, Olivetti has been unlucky. The decline in European market growth has coincided with lower competitiveness on account of currency factors, and both have come in the midst of the restructuring of Olivetti's product line towards non-proprietary "open systems", which allow computer users to put identical software on a variety of manufacturers' machines.

The decision to slash the workforce was unavoidable if Olivetti was to survive in the current climate, Mr Cassoni maintained. The decline in growth "produced the need to accelerate the planned restructuring costs for labour", he admitted. "The value [of the cuts] for Olivetti is enormous".

He emphasised that no more big cuts were due.

That means attention can refocus on pushing ahead with "open systems" across the Olivetti range. Sales based on open systems should reach 65 per cent of revenue at Olivetti's Systems and Networks (OSN) division by the end of next year, against 53 per cent in 1990.

Likewise, at Olivetti Office, products such as PCs, laptops and non-impact printers "based on technologies for which there is growth in demand" accounted for 46 per cent of sales in 1990 against 41 per cent for products for which demand is stable.

Any gaps in the range in bringing out new products will be plugged by co-operative deals. Hence last month's marketing link with Pyramid Technology, the fast-growing US computer maker, to strengthen the top-end of Olivetti's computer range.

Meanwhile, Olivetti is trying to speed up the introduction of new products to the market. A portable personal computer range from Olivetti Office will be unveiled in Berlin later this month, while six new products are due from OSN by September.

Big alliances or takeovers of the kind mooted, and dropped, with Philips, are no longer relevant, according to Mr Cassoni. "Size is no longer the issue. Focus is the issue", he said, noting that the highest earners in the computer business now are specialist makers with sales of $3bn to $4bn.

Olivetti will use alliances in "technologies we do not master", or in "markets where we are not big enough". Hence its links with Canon and Sanyo in photocopiers and faxes respectively and the likelihood of other contacts to provide "privileged access" to the technologies it needs in future. That does not mean mega-mergers in the computer business are out for ever, he said. Rather, they have just been suspended. When the standardised technology of open systems eventually dominates the market "the industry may look again at this question," he said.

Despite the already detectable slowdown in business as a result of the Gulf war and the US banking crisis, orders are still arriving. In late January, Olivetti signed a letter of intent with the Danish Unibanken group for a deal that could be worth up to $150m, according to analysts. This month came a L55bn project to update information systems at Italy's Banco di Napoli.

The changed circumstances are forcing Olivetti to adjust its planning procedures to deal with greater uncertainty. "Uncertainty is the immeasurable parameter of 1991," he said. But although the company is being very conservative in current budgeting, "uncertainty is not a budgeted item".

Olivetti is shortening its budget and planning periods to react to changes more quickly. Variations to the balance sheet or earnings are also being measured on a much shorter basis, while investment plans are now being reviewed quarterly rather than annually. And "planning cycles" for relevant items are also being made more frequent.

What the new procedures cannot yet do is predict this year's profits. Although demand will grow more slowly, currency factors should at least be neutral and may even flatter sales this year. What happens to earnings remains to be seen.

Vittorio Cassoni: investment plans are being reviewed quarterly

TIP Europe renegotiates loan terms after breach of covenant

By Jane Fuller

TIP EUROPE, the highly-geared UK trailer rental group, has renegotiated the terms of a £30m ($58.8m) loan after breaching one of its covenants last autumn.

Mr David Callear, finance director, said: "We tripped an interest-cover covenant in the first trading quarter of this year, from August to October, which is always one of the worst periods."

The breached stipulation was that operating profit should cover interest payments at least 1.8 times during each quarter. The revised "multi-option financing facility" (MOF) agreement allowed minimum cover of "nearer one than 1.8," he said.

This provided sufficient flexibility for the seasonally bad quarters. The reinstated MOF would run until August 1994.

The group, which made pre-tax profits of £15.5m on turnover of £92.6m in the year to July 31, still had total borrowings near the year-end level of £160m, which represented gearing of 370 per cent. Interest cover last year was about 2.1 times on payments of £13.8m.

Mr Callear said that bankers outside the MOF had remained supportive.

The second quarter of the year had been stronger as it took in Christmas deliveries. The UK fleet had been slightly reduced, to about 10,000 trailers.

TIP, which grew rapidly by acquisition, nearly trebled turnover in the three years since its February 1988 flotation, but earnings per share rose by only 1.1p to 14.8p.

In November, it delivered a profit warning and appointed Mr Jim Davis as non-executive chairman in place of Mr Jim Cleary, who had had an executive role.

Mr Davis said at the time: "When you acquire there is a lot of fat and there are a lot of savings to be made."

Subsequent cuts include the closure of the Aylesbury head office and four branches in the UK and France. Other unprofitable sites may also be shut. The total network comprises about 80 branches.

The share price, which fell from 211p to 35p between February and December last year, rose 2p yesterday to close at 53p.

AT&T extends $6.1bn offer for NCR

By Patrick Harverson in New York

AMERICAN Telephone & Telegraph (AT&T) yesterday announced an extension of the expiry date for its $90-a-share cash offer for NCR, the Ohio-based computer group, to midnight on April 30.

This is the second time AT&T has had to extend its hostile $6.1bn offer, which was launched in December. The decision on the new deadline came after AT&T revealed it had won less acceptances from NCR shareholders than after the offer first expired on January 16.

By last Friday, the previous expiry date, AT&T had received tenders for approximately 66 per cent of outstanding NCR shares, compared with tenders for 70 per cent in January. AT&T said yesterday it was not surprised by the decline in acceptances.

It blamed the shortfall on NCR's anti-takeover devices which prevented AT&T from buying all the shares originally pledged in January.

A company spokesman said AT&T was pressing ahead with its proxy contest to remove these obstacles and complete the merger. Mr [illegible] Farkas, a spokesman for NCR, said when told of the fall in the number of acceptances: "We feel people are beginning to recognise what we have said all along about the offer: that it is grossly inadequate."

The company has said recently that a price of $125 a share would be more appropriate. The devices employed by NCR to block the unwanted bid from AT&T have included a poison-pill anti-takeover defence and a challenge to [illegible] merger law in Maryland, the US state where NCR is incorporated.

AT&T has already asked an Ohio court to dismiss NCR's bid-related anti-trust suit, claiming the company's claims are groundless.

Most Wall Street analysts believe AT&T will eventually win control of NCR, but warn the legal hurdles will delay victory. AT&T has reserved the right to shorten the newly extended deadline to a date earlier than April 30.

Repap turns in C$9.1m deficit in last quarter

By Robert Gibbens in Montreal

REPAP Enterprises, North America's second largest producer of lightweight coated papers, posted a loss of C$9.1m (US$7.9m), or 17 cents a share, in the final quarter of 1990, a swing of 134 per cent from a profit of C$26.7m, or 51 cents, a year earlier.

Sales fell 13 per cent to $306m.

The loss was due to weak pulp and timber markets, a high Canadian dollar, high interest rates and heavy depreciation. But lightweight coated sales continued to be strong, though that market is more competitive.

For 1990, after preferred dividends, Repap showed net profit of $3.1m, or 6 cents a share, down from $93.1m, or $1.79, in 1989. Revenues were $1.2bn, little changed.

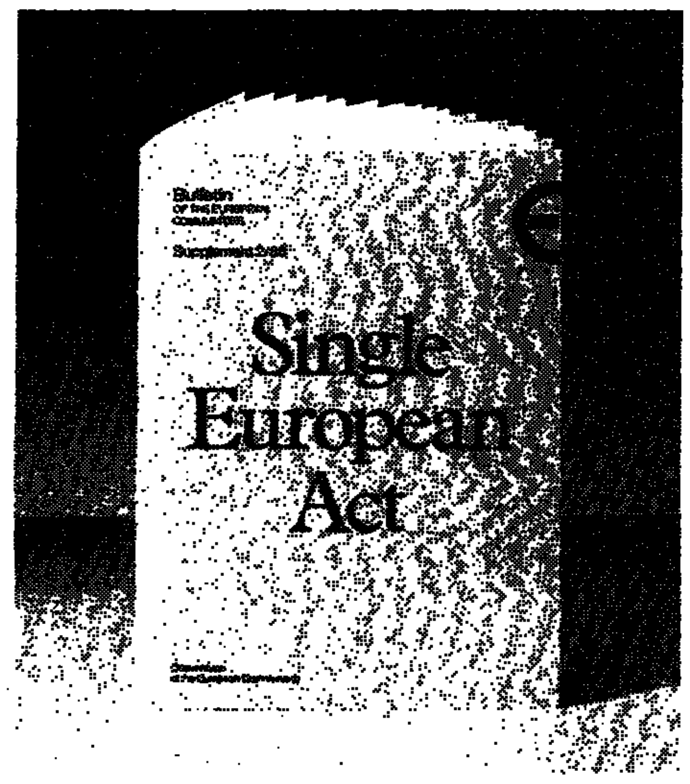
Repap started up two new paper machines in New Brunswick and Wisconsin during 1990, requiring higher depreciation. Fourth-quarter cash flow was reduced by several temporary mill shutdowns.

But Repap has now completed a five-year, $2.1bn expansion and modernisation programme, investing $355m in 1990. Capital spending will be minimal in 1991.

هكذا من الأصل

Nationale-Nederlanden — NMB POSTBANK GROUP

There's another merger at the back of our minds.



Europe is changing, barriers are coming down, and a single market is steadily being created.

There is change too in the ways in which financial services are being bought and sold.

The barriers between banking and insurance are being eroded as the demands people make of financial organisations become more varied and sophisticated.

In Holland, the regulatory separation of banking and insurance was taken away in January last year.

The merger of Nationale-Nederlanden and NMB Postbank Group is in response to the changes which are now taking place in the Dutch financial services market, and reflects a desire to exploit the opportunities which these present.

The single European market will create increasing competition in Holland as other companies enter our market. At the same time it creates huge opportunities abroad.

As Holland's largest financial group we shall have the breadth and range of products and the distribution channels to maintain a strong position in the home market.

This domestic strength will provide a firm foundation for expansion abroad.

We shall have the scale of resource, created by one of Europe's largest financial sector mergers, to build and expand jointly our existing international interests.

In due course we shall use the experience gained in Holland to develop new markets in other EC countries, using the most cost-effective distribution channels in each market.

The new company, which will be called Internationale Nederlanden Group, will be a partnership of equals; the better to serve our customers, our shareholders, intermediaries and our employees.

Internationale Nederlanden *Group*

In response to the future.

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SA building society warns of caution in shares sale

By **Philip Gawith** in Johannesburg

A NOTICE yesterday by Allied, the South African building society subject to rival takeover bids, telling its shareholders to exercise extreme caution in selling their shares, and issued on the advice of the South African Securities Regulation Panel, has heightened confusion surrounding the contest.

Earlier the panel said: "Significant legal issues have arisen which could affect the value of an Allied share." Mr Doug Gair, the panel's executive director, said that "legal issues" concerned the point whereby parties that exceed a 30 per cent holding in a company are required to pay the highest price they paid in the market to all other shareholders.

Controversy has raged following a secret ruling by the panel, granted last week to United Building Society, which together with Allied, Volkskas and SFS, proposes a merger to form the country's largest banking group. It is thought that the panel ruled that United and its merger partners were not "concert parties" and hence removed any danger of breaching the 30 per cent limit.

The panel has come under extreme criticism for failing to make its earlier ruling public. The explanation offered – that the confidentiality of information put forward by United had to be respected – is widely considered to be specious.

Analysts note it is quite possible to respect confidentiality while reporting the outcome of a ruling. It also runs counter to the provision in the code that "it is the panel's policy in the case of important decisions to publish its conclusions and the reasons for them".

If the panel's concert party ruling is what the market believes, then the panel faces the humiliating prospect of having its first big ruling taken to the highest appellate courts in the land. FNB seem sure to contest such a ruling, especially given advice which suggests the London panel, on which the local code draws heavily, would have ruled differently.

Should the panel decide that a compulsory offer has been triggered, this would greatly increase the cost of a takeover bid. In terms of the United led merger, Allied shares are valued at R2.40 each.

Last week, Allied's market price went as high as R3.00, fully 25 per cent higher than the offer price. Were United forced to pay a similar price to all shareholders, they would be paying R150m to R200m more than the R772m ($304.5m) at which Allied was valued in terms of the merger proposal.

Pioneer Intl profits climb 40%

By **Kevin Brown** in Sydney

PIONEER International, the Australian building materials and petroleum group, yesterday announced a 40 per cent increase in net profits to A$88m (US$69m) for the six months to December, on turnover up 36 per cent to A$3.1bn.

Sir Tristan Antico, chairman, said the improvement reflected the consolidation of profits from Ampol Exploration (Ampolex), a 52.6 per cent subsidiary, and the strength of the building materials division outside Australia, the US and the UK.

Sir Tristan said a fall in profits from the group's Australian concrete, quarrying and asphalt operations was offset by a satisfactory result from Brick and Pipe, acquired last year.

However, demand for building materials had fallen 15 per cent since last year's first half, and volume sales were expected to be 20 per cent lower in the second half than in the comparable period of last year.

Overseas, results from Spain, Germany, Israel and Hong Kong more than offset lower profits from the US and UK. No improvement was forecast for the UK, but results had begun to improve in the US.

Ampolex reported a first half operating profit of A$43.9m, compared with A$5.9m, as a result of rising oil prices and higher sales volumes. Ampolex has a 16.45 per cent interest in the Kutubu oil project in Papua New Guinea, which is expected to come on stream next year, and will eventually produce 140,000 barrels of oil per day.

Sir Tristan said Ampol, the group's wholly-owned petrol refining and marketing business, produced a "significant improvement over the very unsatisfactory result" for the same period last year, which was affected by high levels of discounting.

However, Ampol is expected to suffer substantial stock losses in the second half as a result of falling oil prices. Pioneer said the Australian government's freeze on petrol prices at the beginning of the Gulf crisis cost it A$13.7m in revenue.

"The actions of the Prices Surveillance Authority in constantly altering the formula by which wholesale selling prices are determined resulted in difficulty in achieving a sensible price control system for petrol, and reinforced Ampol's view that a deregulated market would be the most sensible course for the government to follow," Sir Tristan said.

The directors declared an unchanged dividend of 7.5 cents.

Poseidon puts off Newmont bid

By **Kevin Brown**

MR ROBERT Champion de Crespigny's acquisitive Normandy Poseidon mining group yesterday put its ambitions to control Newmont Australia on hold for at least four years.

Poseidon Gold, part of the Adelaide-based mining group, built a 19.9 per cent stake in Newmont last year, but was thwarted by Newmont's friendly takeover of BHP Gold Mines, which reduced its stake to around 12 per cent.

Poseidon said it had signed an agreement with Newmont under which a takeover bid would require the advance approval of the Newmont board. Approval would be granted only if the bid was in the best interest of all shareholders.

The agreement also says that, in the event of a bid, Poseidon will make its offer conditional on achieving acceptances for at least 75 per cent of Newmont's shares, significantly raising the threshold for a successful offer.

The statement said the deal was reached at the request of Newmont "in the spirit of ensuring stability" for the company. In return, Newmont will drop legal action under the companies code relating to Poseidon's takeover offer.

Coal & Allied slips 16.4% in half year

COAL & ALLIED Industries, an Australian coal producer, said that net profits fell by 16.4 per cent to A$17.36m (US$13.7m) in the half year to December, from A$20.76m a year earlier, AP reports from Sydney.

Earnings per share fell to 31.7 cents from 39.4 cents, and the first half dividend was cut to 25 cents a share from 26 cents. Sales rose 8.3 per cent to A$293.8m from A$271.2m.

Coal production fell to 4.9m metric tons from 5.4m tons, and although it can mine more than 13m tons a year, "production has been pitched at levels which can be sold profitably." But profits were pared by rising costs,a "high" Australian dollar and surplus coal output.

Kirin Brewery rises 31% after draught beer launch

By **Robert Thomson** in Tokyo

KIRIN Brewery, Japan's largest brewer, yesterday reported a 31.4 per cent increase in pre-tax profit to Y84.9bn ($651m), as the successful launch of a new draught beer and the effects of a retail price increase boosted income.

Total sales rose 13 per cent to Y1,356bn, with beer sales increasing by 10.8 per cent and soft drink sales rising by 20.8 per cent. After-tax profit rose 26.8 per cent to Y35.8bn.

The company, which traditionally had more than 50 per cent of the Japanese market, lost share following a rush of new brands from competitors in recent years, but stabilised its share last year at around 50 per cent.

Kirin, long perceived as a conservative company, responded by introducing new beer brands, and the most significant success was a brew called Ichibanshibori, which was launched last March and sold more than three times the planned amount.

The company is keen to broaden its product range, and the diversification programme over the next year will include separating soft drinks, now 9 per cent of sales, from the beer operations. Sales this year are expected to fall because of that division, and are estimated at Y1,310bn, with pre-tax profit at Y85bn.

Growing sales lift Canon 39.1%

By **Emiko Terazono** in Tokyo

WHILE Japanese exporters such as carmakers are seeing earnings starting to fall due to faltering demand in the US and Europe, Canon, Japan's leading cameramaker, posted a 39.1 per cent rise in pre-tax profits to Y73.2bn ($561m) for the year to December 1990.

Sales grew 14.4 per cent to Y931.2bn while net profits rose 42.9 per cent to Y38.6bn.

It attributed the growth to a 10 per cent rise in office automation equipment sales and 34 per cent in camera sales.

Canon said that foreign exchange gains of Y11bn and an improved financial balance helped the large rise in pre-tax profits.

It said that exports, which account for over 70 per cent of overall sales, performed well, especially those to the US and Europe. However, operating profits fell 13.8 per cent to Y57.7bn due to price cuts.

For the current year, Canon is aiming for a 17 per cent rise in sales to a record Y1,090bn.

Brokerages' earnings 'to shrink'

By **Emiko Terazono**

EARNINGS of the four leading Japanese brokerage houses, Daiwa, Nikko, Nomura and Yamaichi, are projected to shrink by between 60 and 77 per cent in the year ending March, according to ministry of finance figures leaked to a Japanese news agency.

This fall, which does not take into account the current market rally, reflects a slump in commission revenue and estimated losses on securities holdings, following turmoil on Japanese markets last year, and will be the largest decline since 1974.

Following the stock market slide, when the Nikkei index was down by 48 per cent at one point, trading volumes were severely depressed. The average daily volume plummeted to 310m shares in January, the lowest since 1986.

Nikko said that the figures "seemed correct". But the present rally in the Nikkei index could improve returns before the end of March. The leaked figures indicated that pre-tax profits for the year may fall by 60 per cent at Nomura to Y195bn ($1.5bn), 63 per cent at Daiwa to Y115bn, 77 per cent at Nikko to Y59bn, and 77 per cent at Yamaichi to Y53bn.

Operating income is down 33 per cent to Y660bn for Nomura, 29 per cent to Y470bn for Daiwa, 43 per cent to Y345bn for Nikko, and 41 per cent to Y340bn at Yamaichi.

SA copper mining group falls 22%

NET PROFITS of Palabora Mining, South Africa's leading copper producer which is owned by RTZ, the UK mining group, fell 22 per cent to R228.0m (US$89.9m) in the year to December 31 from R292.3m in 1989, AP reports from Johannesburg.

The company has declared a final dividend of 240 cents per share, down 12.7 per cent from 275 cents previously.

INTERNATIONAL CAPITAL MARKETS

Traders pause for breath after last week's bull run

By Tracy Corrigan

PRICES in the UK gilt market ended about ¼ point up on Friday's close, but little changed from opening levels, as trading activity shifted down a gear yesterday after last week's strong run.

The market failed to improve significantly on last week's gains, even though data released yesterday on the public sector borrowing requirement and retail sales were positive for the bond market.

With sterling off the bottom of its range within the exchange rate mechanism of the European Monetary System, traders are hoping for a further cut in interest rates around the time of the March budget.

Mr Mark Brett, a bond strategist at Barclays de Zoete Wedd, says the March short sterling contract on the London International Financial Futures Exchange is looking vulnerable at its current level of 87.29, discounting interest rates of about 12¾ per cent. The March contract expires the day after the Budget, so it could be volatile if rates are cut then.

■ THE JAPANESE government bond market continues to trade in a narrow range, and there was little reaction to data indicating a decline in the growth of money supply, due to both stringent Bank of Japan guidelines, and the capital constraints faced by banks. The No 129 benchmark ended in London at a yield of 6.23 per cent, unchanged from Tokyo's close.

■ The German government bond market rose about ¼ point in thin trading, as the market paused for breath after its recent strong performance. The Bund futures contract ended at 86.32, up from Friday's close of 85.95.

■ THE US Treasuries market was closed for the Presidents' Birthday holiday.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-28	+4/32	10.78	11.00	11.48
		9.000	03/00	94-25	+9/32	9.89	10.05	10.28
		9.000	10/08	94-18	+10/32	9.64	9.80	9.92
US TREASURY *		7.750	02/01	99-29	+6/32	7.76	7.78	8.04
		7.875	02/21	99-03	+11/32	7.95	7.96	8.20
JAPAN	No 119	4.800	6/99	90.3421	+0.220	6.59	6.63	6.78
	No 129	6.400	03/00	100.8401	+0.058	6.26	6.34	6.53
GERMANY		9.000	01/10	105.3000	+0.250	8.20	8.41	8.85
FRANCE	BTAN	9.000	02/96	99.1681	+0.153	9.21	9.43	10.13
	OAT	9.500	01/01	103.3500	+0.330	8.97	9.15	9.65
CANADA *		10.500	03/01	106.7500	+0.375	9.44	9.47	10.05
NETHERLANDS		9.250	11/00	104.9300	+0.260	8.48	8.70	9.16
AUSTRALIA		13.000	07/00	109.1796	+1.169	11.38	11.26	11.94
BELGIUM		10.000	08/00	105.7000	+0.300	9.06	9.05	9.71

London closing, *denotes Friday close
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Syndication complete on Y54bn loan to Turkey

By John Murray Brown in Ankara

JAPANESE bankers have confirmed that syndication has been completed on a Y54bn borrowing for the Republic of Turkey.

It is guaranteed by both the ministry of international trade and industry (Miti) of Japan and the Turkish treasury, and is lent as part of Japan's assistance for countries affected by the Gulf crisis.

The loan, which is for 10 years with a four-year grace period, will carry an interest rate of 66 basis points above the Japanese long-term prime lending rate (LTPR).

Turkish borrowers can normally expect between 1¼ and 1½ over LTPR. This is the first time Turkey has gone to the market for any finance since the start of the crisis last August.

Bankers say Miti will receive 50 basis points as its insurance premium. Japanese bankers expect to sign in mid-March.

Participation for the credit is lead managed by Bank of Tokyo with Y15bn, and includes Mitsui Taiyo Kobe and Nippon Credit each with Y5bn, Industrial Bank of Japan with Y3bn, Sanwa Y2bn, and Japanese life insurance companies with a total of Y7bn.

The credit will be given to five Turkish development banks, including Turkiye Ihracat Kredit Bankasi, for lending to the Turkish private sector.

It is expected that the funding will be partially tied to the purchase of Japanese capital and other goods.

Volvo sells 10% of Stockholm options market

VOLVO yesterday sold a 10 per cent shareholding in the Stockholm Options Market (OM) for SKr119m ($22m), netting a capital gain of SKr109m for the Swedish vehicle group, writes John Burton in Stockholm. The company is expected to announce a loss for last year.

Volvo, which will retain 0.3 per cent of OM, did not disclose the identity of the parties which had bought the shares.

Volvo was one of the founders of the OM, the world's first automated options exchange, in June 1985 through its Alfred Berg stockbroking subsidiary.

● Reuter writes from Stockholm: OM said its OM International unit had sold its 30.6 per cent stake in the Spanish options exchange OM Iberica.

OM said it would realise profits of SKr20m on the sale.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:05 pm on February 18

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101¼	102¼		7.91
ALBERTA PROVINCE 9 3/8 95	600	104⅝	105		8.13
AUSTRIA 8 1/2 00	400	100⅝	100¾		8.44
BANK OF TOKYO 8 3/8 96	100	99⅛	99⅝	-⅛	8.58
BELGIUM 9 1/8 92	400	101⅛	102¼	-⅛	7.85
BFCE 7 3/4 97	150	98	98⅜	+⅛	8.18
BNP 8 5/8 94	300	102	102⅜		7.91
BP CAPITAL 9 5/8 93	150	103	104		7.86
CANADA 9 96	1000	104½	104¾		7.88
CARCO 9 1/4 96	650	98¾	99⅛	+⅛	9.53
CCCE 9 1/4 95	300	104½	104⅞		7.90
COUNCIL EUROPE 8 96	100	99½	100		8.10
CREDIT FONCIER 9 1/2 99	300	106	106⅜		8.44
DENMARK 0 98	250	54⅝	55	-⅛	8.54
DENMARK 8 1/4 94	150	101	101⅜		7.89
ECSC 8 1/4 96	193	100⅝	101⅛	+⅛	8.07
EEC 7 1/4 93	250	99⅛	100⅛		7.38
EIB 7 3/4 96	250	98⅞	99⅛		8.00
EIB 9 1/4 97	600	104⅝	105		8.31
ELEC DE FRANCE 9 98	200	103⅝	103⅞		8.34
EUROFIMA 9 1/4 96	100	103¾	104⅝		8.31
EXPORT DEV CORP 9 1/2 98	150	105⅝	106⅛	-⅛	8.43
FINLAND 7 7/8 97	200	97⅞	98⅛		8.45
FINNISH EXPORT 9 3/8 95	200	104⅛	104⅞		8.19
FORD MOTOR CREDIT 9 1/2 93	300	101⅜	101⅞	-⅛	8.87
GEN ELEC CAPITAL 9 3/8 96	300	104⅝	105⅛	+⅛	8.22
GMAC 9 1/8 96	300	100⅛	100⅝	+⅛	9.05
HALIFAX 9 1/2 93	200	102⅞	103⅛	-⅛	8.12
IBM WORLD TRADE 7 5/8 93	150	97⅛	97⅝	-1½	8.82
IND BK JAPAN FIN 7 7/8 97	200	96⅞	97⅛		8.57
INTER AMER DEV 7 5/8 96	200	97⅛	97⅞		8.19
ITALY 8 1/2 94	1500	102	102⅛		7.83
JAPAN DEV BK 8 94	150	100⅞	101⅜		7.67
KANSAI ELEC PWR 10 96	350	105½	106⅛	-⅛	8.62
LTCB 8 5/8 93	150	101⅛	101⅝		8.00
NEW ZEALAND 8 93	100	100⅛	100⅝		7.85
NIPPON CRED BK 9 3/4 93	150	103⅛	103⅝	-⅛	8.24
NIPPON TEL & TEL 9 3/8 95	200	104⅛	104⅜		8.10
NORDIC INV BANK 9 93	200	102⅝	103⅛		7.59
ONTARIO HYDRO 11 5/8 94	200	108⅞	110⅛	-⅛	8.19
OSTER KONTROLLBANK 8 1/8 93	200	101⅛	101⅝		7.44
PETRO-CANADA 7 1/4 96	200	96	96⅜	+⅛	8.21
PRUDENTIAL RLTY SECS 0 99	365.216	50⅝	51⅛	+⅛	8.99
QUEBEC HYDRO 9 3/4 98	150	104⅝	105⅛	-⅛	8.87
QUEBEC PROV 9 98	200	102	102½	-⅛	8.60
SAINSBURY 9 1/8 96	150	102⅞	103⅛	+⅛	8.47
SAS 10 99	200	99⅞	100⅞	-⅛	10.09
SBAB 9 1/2 95	500	104⅛	104⅝		8.19
STATE BK STH AUST 9 1/4 93	100	102	102⅜	-⅛	8.11
SUMITOMO BK CAP MKT 9 3/8 93	150	102⅞	103⅜	-⅛	8.14
SWEDEN 8 1/4 94	150	100⅞	101⅛	+⅛	7.93
SWEDISH EXPORT 9 5/8 93	100	103⅝	104⅛	+⅛	7.49
TOKYO METROPOLIS 8 1/4 96	200	100⅛	100⅝	-⅛	8.18
WORLD BANK 8 3/8 99	1500	101	101⅛		8.38
WORLD BANK 8 3/4 97	1500	103½	103⅝		8.17
XEROX CORPN 8 3/8 96	100	97⅞	98⅛	+2⅛	8.88

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	97⅛	97⅝	+½	8.73
AUSTRIA 6 98	400	84⅞	85⅛	-1⅛	8.96
CNT 6 1/8 98	200	84⅞	84⅞	+⅛	9.00
CREDIT FONCIER 6 3/4 99	500	87⅝	87⅞	+⅛	8.95
DEUTSCHE BK FIN 5 5/8 96	750	89	89	+⅛	8.27
EEC 5 3/8 93	300	94⅛	94½	+1	8.66
EIB 6 1/8 96	300	88	88⅛	+1⅛	9.03
EIB 6 7/8 95	300	94⅛	94⅛	+1⅜	8.41
EUROFIMA 6 1/4 98	400	84⅜	84⅜		9.16
FELDMUEHLE FINANCE 8 99	200	95½	95½	+1	8.74
FERRO DEL STAT 5 3/8 93	500	94⅜	94⅜	+⅛	8.69
IND BK JAPAN FIN 5 5/8 96	200	86⅛	86⅛	+⅛	9.05
INTER AMER DEV 7 1/4 99	300	92⅛	92⅛	+1½	8.60
LUFTHANSA INT FIN 5 7/8 98	500	85	85	+⅛	8.77
QUEBEC HYDRO 6 3/4 99	300	87	87⅛	+⅛	9.08
SWEDEN 6 1/8 98	300	87	87		8.65
WORLD BANK 0 15	2000	18⅛	18⅛	+⅛	7.09
WORLD BANK 5 3/4 96	300	87	87⅛	-⅛	9.05
WORLD BANK 7 1/8 95	500	94½	94⅞	+⅛	8.84

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	92½	93	+2	6.69
AUSTRIA 4 5/8 98	100	89	90		6.64
CHUJITSUYA 7 3/4 95	50	102½	103		7.07
COUNCIL EUROPE 4 3/4 98	250	90⅛	90¾	+1¼	6.53
EEC 5 1/2 00	100	90	91½		6.94
EIB 5 3/4 99	100	98½	98¾		6.36
ELEC DE FRANCE 7 1/4 06	100	104½	105	+½	6.76
FINLAND 5 3/8 95	150	96½	98	+2	6.25
GENERAL MOTORS 7 1/2 95	100	101½	102¾	-⅛	7.06
JAPAN DEV BK 5 1/2 94	100	97½	98	+½	6.45
NEW ZEALAND 4 7/8 99	200	89½	90	+½	6.61
QUEBEC HYDRO 5 08	100	80⅛	80¾	+⅛	7.02
SKANDINAVISKA ENSK 6 1/2 95	100	99½	100		6.64
WORLD BANK 5 03	150	85½	86		6.75
WORLD BANK 7 1/4 92	100	100	100½		7.20

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	95⅛	95⅜	+⅛	6.64
CANADA 4 3/8 92	80000	96⅛	97⅛		6.95
CREDIT FONCIER 5 1/4 94	20000	95	95½	+⅛	6.76
DENMARK 7 95	40000	101⅜	101⅝	+⅛	6.59
EIB 4 5/8 94	40000	94⅜	94⅝	+⅛	6.61
GENERAL ELECTRIC 5 3/4 93	35000	97⅛	97⅜	+⅛	7.25
INTER AMER DEV 7 1/4 00	30000	104⅛	104⅜	+⅛	6.63
ITALY 5 3/4 92	150000	99	99⅛		6.82
KANSAI ELEC PWR 4 5/8 94	60000	94	94⅛	+⅛	6.76
NIPPON TEL & TEL 5 7/8 96	50000	96⅜	97		6.58
NORWAY 5 1/8 95	50000	94⅜	95	+⅛	6.62
SWEDEN 5 5/8 95	20000	95⅜	96⅛	+⅛	6.68
WORLD BANK 6 3/4 00	50000	101½	101⅞	+⅛	6.52

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	91⅛	92⅛		9.93
KREDIETCORP 7 93 LFr	1000	93⅞	94⅞	+⅛	9.87
WORLD BANK 8 96 LFr	1000	94	95	+½	9.51
ALBERTA PROVINCE 10 92 C$	500	100⅛	100⅝	+⅛	9.81
BCE INC 9 5/8 93 C$	300	98⅝	99⅛	+⅛	10.32
BELL CANADA 10 5/8 99 C$	150	101½	102	+⅛	10.33
BRITISH COLUMBIA 9 1/4 93 C$	150	98½	99	+⅛	10.09
EIB 10 1/8 98 C$	130	101⅛	101⅛	+⅛	9.87
FORD CREDIT CANADA 10 94 C$	100	98⅛	98⅞	+⅛	10.58
GENERAL ELECT CAP 10 1/4 93 C$	175	100⅞	101⅜		9.80
MONTREAL TRUSTCO 8 1/2 92 C$	100	97	98	-⅛	11.20
ONTARIO HYDRO 10 7/8 99 C$	500	103⅛	103½	+⅛	10.26
QUEBEC PROV 10 1/2 98 C$	200	100⅝	101⅛	+⅛	10.36
ROYAL TRUSTCO 10 1/4 93 C$	100	98⅞	99⅛		10.84
SWEDEN 9 3/4 93 C$	250	99⅞	100⅛		9.84
AUSTRIA 7 3/8 93 Ecu	125	94½	95⅛	-⅛	10.38
CNT 7 3/8 93 Ecu	250	93⅞	95⅛	-⅛	10.46
CREDIT LYONNAIS 9 96 Ecu	125	95⅛	96½		10.20
DENMARK 7 5/8 96 Ecu	250	90⅛	90⅞	-⅛	10.15
EEC 7 5/8 94 Ecu	200	96⅛	96⅛	+⅛	9.10
EIB 10 97 Ecu	1125	104½	104⅞	+⅛	8.99
ITALY 10 3/4 00 Ecu	1000	109⅛	109⅛	+⅛	9.22
SWEDEN 7 1/2 93 Ecu	250	92⅛	93⅛	-⅛	10.89
BMW FINANCE 14 1/2 92 AS	100	102	102⅛		12.45
COUNCIL EUROPE 13 93 AS	50	101	102		12.40
EXSPORTFINANS 12 3/8 95 AS	75	102⅝	103⅛	+⅛	11.52
FORD CRED AUST 13 93 AS	50	99½	100½	-⅛	13.27
ICI 15 1/2 92 AS	100	103⅛	103⅞	+⅛	12.45
MCDONALDS CANADA 15 95 AS	100	107⅛	108	+½	12.67
NAT AUSTRALIA BANK 14 3/4 94 AS	150	106	106½	+⅛	12.23
STATE BK NSW 14 1/4 99 AS	100	107⅛	107⅝	+⅛	12.77
VOLKSWAGEN INTL 15 94 AS	100	105⅛	106⅛	+⅛	12.59
ABBEY NATL TREAS 13 3/8 95 £	100	105⅜	106⅛	+½	11.51
BARCLAYS JERSEY 9 1/2 93 £	250	95⅛	95⅝	-⅛	12.12
BRITISH GAS 12 3/4 95 £	150	105½	105⅞	+⅛	10.97
DEUTSCHE BK FIN 11 94 £	225	98⅜	99	-1	11.51
EIB 10 97 £	300	96⅞	97⅛		10.73
FORD CREDIT FUNDING 9 5/8 93 £	50	94½	95	+⅛	12.65
INTER AMER DEV 11 3/8 95 £	75	101⅞	102⅛	+⅛	10.77
ITALY 10 1/2 14 £	400	95½	95⅞	+½	11.03
LAND SECS 9 1/2 07 £	200	81⅜	82⅛		12.11
LEEDS PERMANENT 9 1/4 93 £	50	94⅛	94⅞	-⅛	12.17
NORWAY 10 1/2 94 £	200	98⅞	99⅛	+⅛	10.96
ROLLS-ROYCE 9 5/8 93 £	150	94⅜	95⅛		12.24
SAINSBURY 10 7/8 93 £	100	98½	99	+⅛	11.77
SKANDINAVISKA ENSK 13 1/8 95 £	100	104⅛	105	+⅛	11.66
WORLD BANK 11 1/4 95 £	100	100	100⅛	-1⅛	11.22
ABBEY NATIONAL 0 96 NZ$	100	50⅛	51⅛	-⅛	13.01
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	101½	102½	+⅛	12.33
AIDC 7 7/8 93 FFr	600	96	96⅛	+⅛	9.64
CREDIT LYONNAIS 10 95 FFr	2000	101⅛	101⅝	+⅛	9.64
EURATOM 7 5/8 98 FFr	500	91⅛	91⅜	+⅛	9.30

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ABBEY NATIONAL 1/16 00 £	150	99.70	99.90	14.1250
ALBERTA PROVINCE 1/32 93	500	99.93	100.06	7.5938
ALLIANCE & LEICS 0.08 94 £	900	99.13	99.20	14.1425
BANCO ROMA 0.03 01	200	90.00	91.50	7.9363
BANCO SANTO SPIRITO 93	200	99.56	99.66	8.4375
BELGIUM 1/16 97 DM	500	99.97	100.08	8.8125
BFCE -0.02 96	350	100.00	100.10	7.7925
BNP 05	300	97.00	97.50	7.4375
BRITANNIA 1/10 96 £	150	98.87	98.97	14.1625
CCCE 06 ECU	200	99.97	100.07	10.0000
CITIZENS FED 0.15 96	100	99.40	99.60	8.2125
COMMERZBK O/S FIN 93	200	99.69	99.79	6.5625
DENMARK -1/8 96	1000	99.08	99.18	8.0000
ELEC DE FRANCE 1/8 99	400	100.10	100.38	8.3750
FERRO DEL STAT 94	200	100.52	100.66	8.2500
HALIFAX 1/10 94 £	200	99.35	99.45	13.6000
HILL SAMUEL 1/4 PERP	75	82.00	84.50	8.5000
MITSUI FIN ASIA 1/8 96	100	98.89	99.03	8.1875
MORGAN (JP) 1/4 97	250	98.00	98.75	8.4375
NAT WEST FIN 3/16 05	400	90.00	91.00	8.3125
NEW ZEALAND 93	500	99.63	99.78	8.0625
QUEBEC PROV 01	300	96.88	97.05	8.1250
RENFE 98	500	99.94	100.04	7.8750
SOCIETE GENERALE 96	300	99.08	99.18	8.0000
STATE BK VICTORIA 0.05 99	125	98.28	98.53	7.8625
UNITED KINGDOM -1/8 96	4000	100.04	100.08	7.9375

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	110⅛	111⅞	+20.56
ASDA-MFI 4 3/4 02 £	100	1.64	112⅛	113⅛	+43.82
BURTON GROUP 4 3/4 01 £	110	3.15	111⅞	113⅜	
EASTMAN KODAK 6 3/8 01	300	50.67	101½	102½	+11.20
GOLD KALGOORLIE 7 1/2 00	65	1.0554	56	57	+47.15
GOODYEAR TIRE 6 7/8 03	150	80⅛	60⅞	62⅛	
GRACE (WR) 6 1/4 02	150	42⅛	87½	88½	+23.38
GRAND MET 6 1/4 02 £	100	6.58	113⅛	114⅛	+1.00
HAWLEY 6 02 PREF	400	1.91	96⅛	98⅛	+41.78
HILLSDOWN 4 1/2 02 £	150	4.16	104⅛	105⅛	
INTL PAPER 5 3/4 02	200	68½	101⅛	102⅜	+7.25
LAND SECS 6 3/4 02 £	84	6.72	91⅛	92⅛	+9.74
MITSUBISHI BK 1 3/4 02	300	2727.1	103	105	+0.42
OGDEN 6 02	85	39.077	75	76	+33.98
PACIFIC DUNLOP 6 3/4 97	75	3.749	113⅛	114⅛	+2.50
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	82⅛	83⅛	+68.31
THORN EMI 5 3/4 04 £	103	7.45	108⅞	110	+21.97

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, February 18, 1991. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	50.6377	34.1065	38.8454
Albania	(Lek)	9.9940	5.0989	3.4343	3.9115
Algeria	(Dinar)	31.2816	15.96	10.7496	12.2432
Andorra	(Fr Fr)	9.9025	5.0522	3.4029	3.8757
	(Sp Peseta)	181.30	92.5	62.3024	70.9589
Angola	(Kwanza)	60.0815	30.6538	20.6465	23.5152
Antigua	(E Carr $)	5.2920	2.7	1.8185	2.0712
Argentina	(Austral)	18619.35	9499.67	6398.4	7287.42
Aruba	(Florin)	3.5084	1.79	1.2056	1.3731
Australia	(Aus $)	2.4875	1.2691	0.8548	0.9735
Austria	(Schilling)	20.415	10.4158	7.0154	7.9902
Azores	(Port Escudo)	254.90	130.051	87.5945	99.7651
Bahamas	(Bahama $)	1.9600	1	0.6735	0.7671
Bahrain	(Dinar)	0.7381	0.3765	0.2536	0.2888
Balearic Is	(Sp Peseta)	181.30	92.5	62.3024	70.9589
Bangladesh	(Taka)	68.30	34.8469	23.4707	26.7318
Barbados	(Barb $)	3.9421	2.0112	1.3546	1.5428
Belgium	(Belg Fr)	59.85	30.5357	20.567	23.4246
Belize	(B $)	3.9200	2	1.347	1.5342
Benin	(CFA Fr)	495.13	252.617	170.148	193.789
Bermuda	(Bermudian $)	1.9600	1	0.6735	0.7671
Bhutan	(Ngultrum)	37.05	18.903	12.7319	14.5009
Bolivia	(Boliviano)	6.8012	3.47	2.3371	2.6619
Botswana	(Pula)	3.6123	1.843	1.2413	1.4138
Brazil	(Cruzeiro)	434.1275	221.494	149.185	169.913
Brunei	(Brunei $)	3.3685	1.7186	1.1575	1.3183
Bulgaria	(Lev)	5.3665	2.738	1.8441	2.1003
Burkina Faso	(CFA Fr)	495.13	252.617	170.148	193.789
Burma	(Kyat)	11.5780	5.9071	3.9786	4.5315
Burundi	(Burundi Fr)	317.50	161.99	109.107	124.266
Cambodia	(Riel)	901.60	460	309.828	352.877
Cameroon	(CFA Fr)	495.13	252.617	170.148	193.789
Canada	(Canadian $)	2.2600	1.153	0.7766	0.8845
Canary Is	(Sp Peseta)	181.30	92.5	62.3024	70.9589
Cp. Verde	(CV Escudo)	126.616	64.6	43.5106	49.5561
Cayman Is	(CI $)	1.6268	0.83	0.559	0.6367
Cent. Afr. Rep	(CFA Fr)	495.13	252.617	170.148	193.789
Chad	(CFA Fr)	495.13	252.617	170.148	193.789
Chile	(Chilean Peso)	662.00	337.755	227.491	259.1
China	(Renminbi Yuan)	10.4651	5.3393	3.5962	4.0959
Colombia	(Col Peso)	1145.315	584.344	393.579	448.264
Comoros	(CFA Fr)	495.13	252.617	170.148	193.789
Congo (Brazz)	(CFA Fr)	495.13	252.617	170.148	193.789
Costa Rica	(Colon)	214.4828	109.43	73.7054	83.9463
Côte d'Ivoire	(CFA Fr)	495.13	252.617	170.148	193.789
Cuba	(Cuban Peso)	1.5611	0.7964	0.5364	0.6109
Cyprus	(Cyprus £)	0.8365	0.4267	0.2874	0.3273
Czechoslovakia	(Koruna)	51.79c	26.4234	17.7972	20.27
		53.62t	27.3571	18.4261	20.9863
Denmark	(Danish Kroner)	11.1825	5.7053	3.8427	4.3767
Djibouti Rep	(Djib Fr)	347.00	177.041	119.244	135.812
Dominica	(E Carrib $)	5.2920	2.7	1.8185	2.0712
Dominican Rep	(D Peso)	23.9100	12.1989	8.2164	9.3581
Ecuador	(Sucre)	1916.88o	978	658.722	750.247
		1867.76a	952.939	641.842	731.022
Egypt	(Egyptian £)	5.8300	2.9744	2.0034	2.2818
El Salvador	(Colon)	15.9122	8.1184	5.4681	6.2278
Equat'l Guinea	(CFA Fr)	495.13	252.617	170.148	193.789
Ethiopia	(Ethiopian Birr)	4.0268	2.0544	1.3837	1.576
Falkland Is	(Falk £)	1.00	0.5102	0.3436	0.3913
Faroe Is	(Danish Kroner)	11.1825	5.7053	3.8427	4.3767
Fiji Is	(Fiji $)	2.7995	1.4283	0.962	1.0956
Finland	(Markka)	7.0573	3.6006	2.4251	2.7621
France	(Fr)	9.9025	5.0522	3.4029	3.8757
Fr. Cty/Africa	(CFA Fr)	495.13	252.617	170.148	193.789
Fr. Guiana	(Local Fr)	9.9025	5.0522	3.4029	3.8757
Fr. Pacific Is	(CFP Fr)	175.00	89.2857	60.1374	68.4931
Gabon	(CFA Fr)	495.13	252.617	170.148	193.789
Gambia	(Dalasi)	14.3629	7.328	4.9357	5.6214
Germany	(D-Mark)	2.9100	1.4846	1	1.1389
Ghana	(Cedi)	690.59	352.342	237.316	270.29
Gibraltar	(Gib £)	1.00	0.5102	0.3436	0.3913
Greece	(Drachma)	311.65	159.005	107.096	121.977
Greenland	(Danish Krone)	11.1825	5.7053	3.8427	4.3767
Grenada	(E Carr $)	5.2920	2.7	1.8185	2.0712
Guadaloupe	(Local Fr)	9.9025	5.0522	3.4029	3.8757
Guam	(US $)	1.9600	1	0.6735	0.7671
Guatemala	(Quetzal)	9.9672	5.0853	3.4251	3.901
Guinea	(Fr)	1215.20a	620	417.595	475.616
		588.00n	300	202.062	230.137
Guinea-Bissau	(Peso)	1274.00	650	437.801	498.63
Guyana	(Guyanese $)	87.76	44.7755	30.158	34.3483
Haiti	(Goude)	9.8000u	5	3.3676	3.8356
Honduras	(Lempira)	10.8718	5.5468	3.736	4.2551
Hong Kong	(HK $)	15.2938	7.8029	5.2556	5.9858
Hungary	(Forint)	137.2037	70.0018	47.149	53.7
Iceland	(Icelandic Krona)	106.85	54.5153	36.7182	41.8199
India	(Indian Rupee)	37.05	18.903	12.7319	14.5009
Indonesia	(Rupiah)	3775.675	1926.36	1297.48	1477.76
Iran*	(Rial)				
Iraq	(Iraqi Dinar)	0.5936	0.3028	0.2039	0.2323
Irish Rep	(Punt)	1.0905	0.5563	0.3747	0.4268
Israel	(Shekel)	3.9142	1.997	1.345	1.5319
Italy	(Lira)	2182.50	1113.52	750	854.207
Jamaica	(Jamaican $)	15.4925	7.9043	5.3238	6.0636
Japan	(Yen)	255.50	130.357	87.8006	100
Jordan	(Jordanian Dinar)	1.2773	0.6516	0.4389	0.4999
Kenya	(Kenya Shilling)	48.3728	24.68	16.6229	18.9326
Kiribati	(Australian $)	2.4875	1.2691	0.8548	0.9735
Korea North	(Won)	1.9012	0.97	0.6533	0.7441
Korea South	(Won)	1419.30	724.133	487.732	555.499
Kuwait ‡	(Kuwaiti Dinar)				
Laos	(New Kip)	1372.00	700	471.478	536.986
Lebanon	(Lebanese £)	2140.40	1092.04	735.533	837.73
Lesotho	(Maluti)	4.9773	2.5394	1.7104	1.948
Liberia	(Liberian $)	1.9600	1	0.6735	0.7671
Libya	(Libyan Dinar)	0.5192	0.2648	0.1784	0.2032
Liechenstein	(Swiss Fr)	2.4950	1.2729	0.8573	0.9765
Luxembourg	(Lux Fr)	59.85	30.5357	20.567	23.4246
Macao	(Pataca)	15.7774	8.0496	5.4217	6.1751
Madagascar	(MG Fr)	2907.50	1483.42	999.141	1137.96
Madeira	(Port Escudo)	254.90	130.051	87.5945	99.7651
Malawi	(Kwacha)	4.9755	2.5385	1.7097	1.9473
Malaysia	(Ringgit)	5.2835	2.6956	1.8156	2.0679
Maldive Is	(Rufiya)	18.8160	9.6	6.4659	7.3643
Mali Rep	(CFA Fr)	495.13	252.617	170.148	193.789
Malta	(Maltese £)	0.5815	0.2966	0.1998	0.2275
Martinique	(Local Fr)	9.9025	5.0522	3.4029	3.8757
Mauritania	(Ouguiya)	149.5872	76.32	51.4045	58.5468
Mauritius	(Maur Rupee)	27.25	13.903	9.3642	10.6653
Mexico	(Mexican Peso)	5833.05e	2976.05	2004.48	2282.99
		5799.64d	2959	1993	2269.92
Miquelon	(Local Fr)	9.9025	5.0522	3.4029	3.8757
Monaco	(French Fr)	9.9025	5.0522	3.4029	3.8757
Mongolia	(Tugrik)	6.5768	3.3555	2.26	2.574
Montserrat	(E Carr $)	5.2920	2.7	1.8185	2.0712
Morocco	(Dirham)	15.5235	7.9201	5.3345	6.0757
Mozambique	(Metical)	1991.71	1016.18	684.436	779.534
Namibia	(S A Rand)	4.9773	2.5394	1.7104	1.948
Nauru Is	(Australian $)	2.4875	1.2691	0.8548	0.9735
Nepal	(Nepalese Rupee)	59.5840	30.4	20.4756	23.3205
Netherlands	(Guilder)	3.2775	1.6721	1.1262	1.2827
N'nd Antilles	(A/Guilder)	3.5084	1.79	1.2056	1.3731
New Zealand	(NZ $)	3.2400	1.653	1.1134	1.2681
Nicaragua	(Cordoba)	9212000.0	4700000	3165636	3605479
Niger Rep	(CFA Fr)	495.13	252.617	170.148	193.789
Nigeria	(Naira)	18.7572	9.57	6.4457	7.3413
Norway	(Nor. Krone)	11.3725	5.8022	3.908	4.451
Oman	(Rial Omani)	0.7546	0.385	0.2593	0.2953
Pakistan	(Pak Rupee)	43.53	22.2091	14.9587	17.0371
Panama	(Balboa)	1.9600	1	0.6735	0.7671
Papua New Guinea	(Kina)	1.8450	0.9413	0.634	0.7221
Paraguay	(Guarani)	2582.06	1317.38	887.306	1010.59
Peru	(New Sol)	1.0780	0.55	0.3704	0.4219
Philippines	(Peso)	53.88	27.4897	18.5154	21.088
Pitcairn Is	(£ Sterling)	1.00	0.5102	0.3436	0.3913
	(NZ $)	3.2400	1.653	1.1134	1.2681
Poland	(Zloty)	18741.0	9561.73	6440.21	7335.03
Portugal	(Escudo)	254.90	130.051	87.5945	99.7651
Puerto Rico	(US $)	1.9600	1	0.6735	0.7671
Qatar	(Riyal)	7.1506	3.6482	2.4572	2.7986
Reunion Is. de la	(F/Fr)	9.9025	5.0522	3.4029	3.8757
Romania	(Leu)	68.45	34.9234	23.5223	26.7906
Rwanda	(Fr)	234.02	119.398	80.4192	91.5929
St Christopher	(E Carr $)	5.2920	2.7	1.8185	2.0712
St Helena	(£)	1.00	0.5102	0.3436	0.3913
St Lucia	(E Carr $)	5.2920	2.7	1.8185	2.0712
St Pierre	(French Fr)	9.9025	5.0522	3.4029	3.8757
St Vincent	(E Carr $)	5.2920	2.7	1.8185	2.0712
San Marino	(Italian Lira)	2182.50	1113.52	750	854.207
Sao Tome	(Dobra)	295.372	150.7	101.502	115.605
Saudi Arabia	(Riyal)	7.3875	3.7691	2.5386	2.8913
Senegal	(CFA Fr)	495.13	252.617	170.148	193.789
Seychelles	(Rupee)	9.7835	4.9915	3.362	3.8291
Sierra Leone	(Leone)	362.90	185.153	124.708	142.035
Singapore	($)	3.3685	1.7186	1.1575	1.3183
Solomon Is	($)	5.0920	2.5979	1.7498	1.9929
Somali Rep	(Shilling)	5135.20	2620	1764.67	2009.86
South Africa	(Rand)	4.9773c	2.5394	1.7104	1.948
		6.2820g	3.2051	2.1587	2.4587
Spain	(Peseta)	181.30	92.5	62.3024	70.9589
Spanish Ports in N Africa	(Sp Peseta)	181.30	92.5	62.3024	70.9589
Sri Lanka	(Rupee)	78.72	40.1632	27.0515	30.8101
Sudan Rep	(£)	8.8200o	4.5	3.0309	3.452
		22.4420g	11.45	7.712	8.7835
Surinam	(Guilder)	3.4986	1.785	1.2022	1.3693
Swaziland	(Lilangeni)	4.9773	2.5394	1.7104	1.948
Sweden	(Krona)	10.8675	5.5446	3.7345	4.2534
Switzerland	(Fr)	2.4950	1.2729	0.8573	0.9765
Syria	(£)	41.1600	21	14.1443	16.1095
Taiwan	($)	53.25	27.1683	18.2989	20.8414
Tanzania	(Shilling)	383.18	195.5	131.677	149.973
Thailand	(Baht)	49.15	25.0765	16.89	19.2367
Togo Rep	(CFA Fr)	495.13	252.617	170.148	193.789
Tonga Is	(Pa Anga)	2.4875	1.2691	0.8548	0.9735
Trinidad/Tobago	($)	8.3300	4.25	2.8625	3.2602
Tunisia	(Dinar)	1.6324	0.8328	0.5609	0.6389
Turkey	(Lira)	6180.11	3153.12	2123.75	2418.83
Turks & Caicos	(US $)	1.9600	1	0.6735	0.7671
Tuvalu	(Australian $)	2.4875	1.2691	0.8548	0.9735
Uganda	(New Shilling)	1113.20	567.959	382.543	435.695
U A E	(Dirham)	7.2358	3.6917	2.4865	2.832
United Kingdom	(£)	1.00	0.5102	0.3436	0.3913
United States	(US $)	1.9600	1	0.6735	0.7671
Uruguay	(Peso)	3295.265	1681.26	1132.39	1289.73
USSR	(Rouble)	1.0849o	0.5535	0.3728	0.4246
		3.2547c	1.6605	1.1184	1.2738
Vanuatu	(Vatu)	211.00	107.653	72.5085	82.5831
Vatican	(Lira)	2182.50	1113.52	750	854.207
Venezuela	(Bolivar)	106.44	54.3061	36.5773	41.6594
Vietnam	(Dong)	14210.00	7250	4883.16	5561.64
Virgin Is-British	(US $)	1.9600	1	0.6735	0.7671
Virgin Is-US	(US $)	1.9600	1	0.6735	0.7671
Western Samoa	(Tala)	4.4708	2.281	1.5363	1.7498
Yemen	(Rial)	23.6180	12.05	8.1161	9.2438
Yemen PDR	(Dinar)	0.9036	0.461	0.3105	0.3536
Yugoslavia	(Dinar)	26.0840	13.3081	8.9635	10.209
Zaire Rep	(Zaire)	4278.00	2182.65	1470.1	1674.36
Zambia	(Kwacha)	95.06	48.5	32.6666	37.2054
Zimbabwe	($)	5.2734	2.6905	1.8121	2.0639

Special Drawing Rights February 15, 1991 United Kingdom £0.731408 United States $1.44453 Germany D Mark 2.12924 Japan Yen187.211
European Currency Unit Rates February 18, 1991 United Kingdom £0.704197 United States $1.38164 Germany D Mark 2.04897 Japan Yen179.986

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar; ‡Kuwaiti Dinar unavailable, Iran Rial unavailable.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday February 18, 1991.

Belgian Ecu deal quenches thirst for liquid paper

By Simon London

BELGIUM yesterday added its name to the list of sovereign governments borrowing in European currency units in the international bond market, issuing Ecu1.25bn-worth of five-year paper.

The mandate to lead manage the deal went to Morgan Stanley, which last week handled the UK government's Ecu2.5bn 10-year deal.

The bonds carry a 9⅛ per cent coupon and were reoffered to investors at the fixed price of 99.90. At this level the bonds yield 9.15 per cent.

The deal was launched at Ecu1bn but increased due to strong demand from institutional investors thirsty for liquid paper at the shorter end of the yield curve. By late afternoon, the paper was trading at 99.95 bid.

Later in the day, the European Investment Bank added a fungible Ecu650m to its outstanding Ecu500m deal maturing 2001.

The bonds carry a coupon of 10 per cent and were priced to yield 9.185 per cent. It is a measure of how far the market has rallied this year that an issue price of 105.12 was necessary to offer a yield 1 basis point below that of the outstanding paper in the secondary market.

Lead manager Paribas Capital markets said that demand had come mainly from European institutional investors.

Among the buyers were UK institutional investors attracted to the market for the first time by the UK government issue made last week.

The EIB issue, now totalling Ecu1.15bn, is big enough to be deliverable into the Ecu bond futures contract due to be launched next month by the London International Financial Futures Exchange.

However, the Kingdom of Belgium paper will not be deliverable into the contract. Provisional contract specifications suggest that only paper of between six and 10-year maturity will be accepted as settlement.

International Business Machines followed its Ecu150m deal last week with a A$75m five-year issue for its Australian subsidiary via Hambros. The recent rally in the Australian bond market enabled the borrower to set a coupon of 12 per cent, the lowest in the sector for some years.

In the Canadian dollar sector, Asfinag, the motorway and road financing business of the Austrian government, came with a C$200m 10-year deal. The paper was priced at a fixed reoffer of par to yield 55 basis points above Canadian government paper. However, lead manager IBJ opted not to break the syndicate until this morning.

FIVE-YEAR BENCHMARK IN ECU WELCOMED

THE fast-developing Ecu sector of the international bond market has lacked a credible yield curve. Many Ecu bond issues have been small and held until maturity by retail investors.

However, the appearance of large, liquid benchmark issues from sovereign and supranational borrowers over the last year has led to the evolution of a yield curve which more accurately reflects market values.

Yesterday's issue by the Kingdom of Belgium was especially welcomed by bond market analysts because there was previously no liquid benchmark at the five-year maturity.

The pricing of the issue offers investors a generous pick up of 7 basis points over the yield on comparable issues in the secondary market, such as the European Community's recent Ecu260m deal.

But outstanding five-year paper is expensive when measured against a synthetic index, composed of a weighted basket of the European bond markets which make up the Ecu.

At the 10-year maturity, liquid Ecu bonds yield 50 basis points less than their theoretical value.

At the five-year maturity, outstanding bonds are even more expensive: the Paribas index of liquid five-year Ecu bonds yields 85 basis points less than the synthetic index.

By pricing its new paper at a healthy yield premium to the secondary market, Belgium may have set a more realistic benchmark.

INTERNATIONAL BONDS

SBC backs launching of novel product

By Tracy Corrigan

SWISS BANK Corporation, Crédit Lyonnais, US risk management specialist Waldner and US F&G, a US insurance company, have structured an innovative product called collateralised increasable yield bonds which combine features found in fixed-rate bonds and futures funds.

An investment vehicle, Waldner NV, will issue Ecu100m of 10-year collateralised bonds which pay interest at 4½ per cent to 5 per cent – half the benchmark rate current when the deal is launched next month.

Part of the proceeds of the issue will be used to buy medium-term notes issued by Swiss Bank Corporation, providing the issue's collateralisation and a triple-A credit rating. The remainder will be invested by Waldner in foreign exchange and interest rate markets and futures and options. Two thirds of returns are used to buy further Swiss bank notes, the rest reinvested.

Unlike triple-A corporate bonds, these bonds offer "a *floor on risk but no ceiling on gain*", says Mr Stanley Waldner of Waldner & Co.

Bankers said the product is likely to find demand among retail investors and certain types of funds. They point out that the performance of the bonds is dependent on the success of the investment strategy of Waldner, which they admit has a good record.

One banker also noted that there is no credit enhancement, so the top credit quality of the bonds is determined by SBC's rating.

● SBC plans to launch a $100m Eurobond for Petroleos Mexicanos (Pemex), Mexico's state oil company, later this week. The 10 per cent, two-year bonds will yield about 320 basis points more than the comparable US Treasury issue.

Pemex returned to the Eurodollar bond market last year, when it also tapped the D-Mark, Austrian schilling and US private placement markets.

Pemex's three-year deal launched last September was priced to yield 324 basis points above the comparable Treasury.

Brazil hits on some popular reforms

New rules aim to improve the Sao Paulo SE, writes Victoria Griffiths

WHILE Brazil reeled under the impact of another economic plan this month, investors were given something else to chew on – new rules for the stock market.

Market players applauded the government's attempt to attract foreigners and protect the small investor, with an eye to boosting sagging equities prices.

"We see these moves as very, very positive," said Mr Antonio Carlos Molina, head of Brasilpar Serviços Financeiros, the international investment fund. The new rules "will contribute greatly to the modernisation of the stock market here".

The Brazilian equities market could use a lift. The Sao Paulo index earned the dubious honour of being the worst performer of 1990, with a 67.7 per cent fall. By the end of last year, market capitalisation dipped to a paltry $15bn, with many quotes at a mere fraction of book value.

Stock market prices surged in Brazil on the first trading day following the announcement of Collor Plan II, as the new package was dubbed. But the euphoria soon wore off and the Sao Paulo exchange has since lost much of its initial gain.

Market players say the rules will have an important impact on the market in the medium term. For example, an attack on preferential shares could boost prices.

According to present rules, up to two-thirds of a company's stock can be preferential. That concentrates control in a few hands, limiting hostile takeovers which push up market prices and reduce inefficiency.

The Sao Paulo index earned the dubious honour of being the worst performer of 1990, with a 67.7 per cent fall. By the end of last year, market capitalisation dipped to a paltry $15bn, with many quotes at a mere fraction of book value

The government has vowed to limit the issue of preferential equity to increase gradually the number of common shares on the market. The economics ministry hopes to *obtain* congressional approval for the move within the next 12 months.

The ministry has also decreed that companies on the privatisation list will be forced to capitalise themselves with voting shares only, also boosting the number of common shares on the market. The new rules will open Brazil to more foreign investment as well.

The economics ministry has called for the setting up of foreign mutual funds in Brazil and permission for companies to launch stock market issues abroad. And the Commissao de Valores Mobiliarios (CVM), Brazil's stock market watchdog, announced it would soon propose to Congress rules allowing direct foreign investment and reducing the amount of time outsiders must hold equities from 90 days to just 24 hours.

The government hopes that foreigners will provide a stabilising influence on the Brazilian market. Despite last year's dismal performance – or perhaps because of it – foreign investors moved into the country.

Citibank of Sao Paulo measured a net inflow of about $45m, excluding the captive market of debt-equity swaps and the New York-based Brazil fund. According to the CVM, bringing in investors from abroad could help to boost volumes at the exchanges.

Average daily volumes dropped from NCrz14.2bn ($65m) in 1989 to less than NCrz3bn by the end of last year, making it difficult for the exchanges to make ends meet. The new package aims to increase the number of stocks on offer as well as the number of investors.

Low share prices have caused the number of publicly-quoted companies in Brazil to be reduced from 1,020 in 1986 to 912 in 1990. According to the ministry, only 200 of that number have sufficient liquidity and transparency to be reasonably considered public.

The rules will ease the costs and regulations required for membership of the stock exchange, encouraging smaller companies to come to market. The rules will also lead to: indexation of dividend payments to inflation; stricter presentation of accounts; and tougher penalties for insider trading.

"The new rules are definitely a step in the correct direction for the Brazilian stock market," said Mr Roger Wright of Banco de Investimentos Garantia. "In the medium term, they will exert a very positive influence."

EIB plans to double borrowings in Escudos

By Patrick Blum in Lisbon

THE European Investment Bank (EIB) plans to raise Esc45bn ($345m) in Escudo-denominated bonds this year, double its Escudo borrowings on the capital markets last year, Mr Ernst-Gunther Broder, the bank's president, said in Lisbon.

"[This] will allow us to fund about one quarter of our expected financing [for Portugal] during 1991," he said.

Last year, the EIB raised Esc22.5bn in two Escudo-denominated bond issues and lent Esc144.4bn for capital investment projects in Portugal aimed at improving transport infrastructure, the development and modernisation of industry, energy supplies and telecommunications. The bank expects to provide around Esc180bn in project financing this year.

The EIB borrows in Escudos and holds the funds until they are required to finance specific projects. "This avoids the extra costs involved in changing currency," an official said.

"These operations are not just to raise funds, but also to help countries [like Portugal] into the international market and attract other borrowers."

The bank is preparing the launch of an Esc15bn bond issue due to take place within the next few weeks.

In 1990, the EIB financed nearly 6.5 per cent of total new investment in Portugal, representing the largest proportion of EIB lending among European Community member states.

Bankers aim to agree force majeure wording

By Tracy Corrigan

THE LEGAL committee of the International Primary Market Association (IPMA), a trade association for banks in the Eurobond market, is to meet during the next two weeks to try to agree upon standard legal language for the *force majeure* clauses of Eurobond issues.

This has been resisted in the past because some banks like to use their own clauses for all their deals.

Since the start of the year, several banks have adjusted *force majeure* language to try to protect underwriters if events in the Gulf severely disrupt the markets. However, the legal limits of *force majeure* remain a grey area.

The association's market practices committee agreed on Thursday that *force majeure* clauses should be used to *terminate an issue in the event* of major settlement problems in the market, and "are not intended to provide protection against conventional market risk".

But the *force majeure* clause may also relate to other circumstances where an issue can be terminated, the committee said.

The legal and documentation committee will consider whether IPMA's latest stance should involve any amendments to the IPMA recommendations handbook. Any change to IPMA recommendations would have to be approved by the association's board of directors.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
ECUs						
Kingdom of Belgium(a)◆	1.25bn	9⅛	99.90	1996	¼/⅛	Morgan Stanley Int.
EIB(b)◆	650	10	105.12	2001	0.325	Paribas Capital Mkts.
CANADIAN DOLLARS						
Asfinag(a)◆	200	10⅛	101.675	2001	2/⅛	IBJ Int.
AUSTRALIAN DOLLARS						
IBM Australia(a)◆	75	12	100⅞	1996	2/1¼	Hambros Bank
D-MARKS						
KLM Royal Dutch A'lines(c)†◆	200	(c)	100	1998	40/20bp	Dresdner Bank
SPC Electronics Corp(a)‡	50	4⅝	100	1995	2¼/1½	Nikko Secs.GmbH
LIRE						
LKB Baden-W'berg(a)◆	100bn	13	102	1996	1⅞/1¼	Euromobiliare SpA

**Private placement. §Convertible. ‡With equity warrants. †Floating rate note. ◆Final terms. a) Non-callable. b) Fungible with existing Ecu500mn deal. Non-callable. c) Coupon pays 6-month Libor + ⅜%. Put option, once only, after 2 years at par. Callable on each coupon date from 1993, at par.

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Feb 18 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Fri Feb 15 Index No.	Thu Feb 14 Index No.	Wed Feb 13 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (187)	804.21	+1.6	13.29	5.97	9.16	0.67	791.68	786.83	770.35	861.68
2	Building Materials (25)	1109.29	+1.6	12.94	5.47	9.51	0.45	1091.47	1081.30	1066.80	1052.59
3	Contracting, Construction (31)	1238.43	+2.5	14.50	6.36	8.95	1.46	1207.85	1189.72	1187.66	1447.23
4	Electricals (10)	2206.69	+2.4	12.69	6.05	9.64	0.80	2155.96	2148.39	2082.70	2442.60
5	Electronics (25)	1746.17	+1.5	9.11	5.12	14.64	1.10	1720.92	1714.07	1677.45	1891.14
6	Engineering-Aerospace (8)	410.70	+0.9	16.34	5.95	7.35	0.86	406.85	409.15	398.95	420.08
7	Engineering-General (47)	399.15	+1.3	14.64	6.44	8.23	1.15	393.86	389.13	376.19	463.10
8	Metals and Metal Forming (8)	445.73	+1.0	20.47	7.72	6.03	0.00	441.41	439.89	427.10	465.88
9	Motors (13)	322.36	+1.7	15.45	7.46	7.54	0.00	316.96	314.02	303.27	364.12
10	Other Industrial Materials (20)	1416.79	+1.5	11.90	5.74	9.72	0.71	1395.48	1391.67	1363.04	1556.80
21	CONSUMER GROUP (182)	1325.12	+0.7	9.12	3.93	13.62	2.72	1315.76	1313.73	1296.21	1254.06
22	Brewers and Distillers (22)	1667.82	+0.3	9.61	3.74	12.82	7.47	1663.17	1668.71	1646.21	1463.21
25	Food Manufacturing (20)	1123.34	+0.7	10.24	4.28	12.03	1.66	1115.08	1110.23	1095.18	1085.05
26	Food Retailing (16)	2465.13	–0.1	8.59	3.15	15.23	3.15	2467.62	2473.91	2458.34	2302.14
27	Health and Household (21)	2846.07	+0.6	6.30	2.69	18.81	0.47	2828.92	2822.59	2789.02	2450.84
29	Hotels and Leisure (22)	1265.19	+1.9	10.92	5.42	10.84	0.86	1241.09	1232.42	1191.55	1564.63
30	Media (25)	1304.08	+1.2	11.20	5.28	11.27	7.81	1289.11	1277.88	1250.96	0.00
31	Packaging & Paper (11)	595.04	+2.1	8.84	5.77	13.86	0.30	583.02	578.55	557.90	572.32
34	Stores (34)	844.49	+0.8	10.06	4.32	12.94	1.67	837.43	837.75	838.00	790.58
35	Textiles (11)	461.93	+1.8	12.44	7.61	10.31	0.50	453.86	453.65	432.23	503.76
40	OTHER GROUPS (111)	1110.96	+0.7	11.61	5.39	10.42	2.51	1103.78	1096.00	1078.68	1174.91
41	Business Services (12)	1005.25	+2.1	12.44	5.37	9.77	0.00	984.71	984.58	968.83	0.00
42	Chemicals (21)	1202.52	+2.0	11.82	5.93	9.98	0.63	1179.34	1172.98	1154.43	1179.92
43	Conglomerates (11)	1437.64	+0.5	11.94	7.17	9.99	6.83	1429.97	1425.43	1414.06	1607.14
44	Transport (15)	2010.20	+0.5	13.00	5.06	9.48	1.78	2000.94	1965.67	1936.32	2258.79
45	Electricity (12)	1151.21	+0.3	10.71	6.11	11.26	0.00	1147.72	1136.43	1116.92	0.00
46	Telephone Networks(3)	1232.32	–0.6	10.85	4.10	11.98	0.00	1239.53	1234.59	1207.54	1238.13
47	Water(10)	2470.73	------	13.72	5.67	8.14	39.69	2472.05	2469.08	2431.15	2071.88
48	Miscellaneous (27)	1783.19	+1.9	10.57	5.08	11.02	1.22	1750.55	1725.02	1702.48	1874.55
49	INDUSTRIAL GROUP (488)	1133.86	+0.9	10.77	4.82	11.36	2.11	1124.06	1119.30	1101.74	1144.18
51	Oil & Gas (20)	2249.49	+0.9	11.51	5.81	11.37	7.42	2229.11	2241.37	2239.17	2432.68
59	500 SHARE INDEX (500)	1228.01	+0.9	10.87	4.95	11.36	2.52	1217.33	1213.77	1197.15	1250.87
61	FINANCIAL GROUP (98)	779.20	+1.7	-	6.11	-	1.00	766.00	768.22	761.34	821.31
62	Banks (9)	835.06	+1.6	19.07	6.96	6.86	1.61	821.96	833.65	830.77	863.13
65	Insurance (Life) (7)	1396.34	+2.0	-	5.50	-	0.00	1369.26	1358.74	1353.92	1351.96
66	Insurance (Composite) (6)	689.89	+2.2	-	6.20	-	0.00	674.83	669.59	655.32	700.19
67	Insurance (Brokers) (8)	1085.30	+2.4	6.81	5.94	19.23	2.15	1059.47	1042.07	1029.39	1115.18
68	Merchant Banks (7)	391.38	+2.7	-	5.21	-	0.00	381.23	382.53	382.31	499.65
69	Property (41)	1025.40	+1.1	6.47	4.58	21.17	0.90	1013.97	1016.33	1003.24	1149.45
70	Other Financial (20)	265.32	+1.0	9.46	6.75	13.34	1.60	262.66	261.82	258.71	330.03
71	Investment Trusts (69)	1110.91	+2.5	-	3.64	-	1.24	1084.04	1075.70	1058.00	1212.30
99	ALL-SHARE INDEX (667)	1117.59	+1.0	-	5.08	-	2.14	1106.06	1103.60	1089.16	1147.05

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 15	Feb 14	Feb 13	Feb 12	Feb 11	Year ago
FT-SE 100 SHARE INDEX‡	2318.3	+21.4	2326.4	2301.6	2296.9	2294.4	2267.8	2264.5	2279.0	2297.1

FIXED INTEREST

	PRICE INDICES	Mon Feb 18	Day's change %	Fri Feb 15	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	120.77	+0.14	120.61	1.68	1.65
2	5-15 years (31)	132.45	+0.19	132.79	1.50	2.53
3	Over 15 years (8)	142.03	+0.28	142.27	2.62	1.08
4	Irredeemables (6)	156.32	+0.06	156.23	3.21	0.00
5	All stocks (73)	131.19	+0.18	131.34	1.69	2.11
	Index-Linked					
6	Up to 5 years (2)	158.07	+0.09	157.93	0.14	1.03
7	Over 5 years (10)	145.45	+0.16	145.21	0.42	0.89
8	All stocks (12)	146.28	+0.16	146.05	0.39	0.90
9	Debs & Loans (54)	110.15	+0.22	109.91	2.92	0.68

	AVERAGE GROSS REDEMPTION YIELDS		Mon Feb 18	Fri Feb 15	Year ago (approx.)
	British Government				
1	Low	5 years	9.30	9.35	10.93
2	Coupons	15 years	9.48	9.51	10.62
3	(0%-7¾%)	25 years	9.61	9.63	10.52
4	Medium	5 years	10.08	10.12	12.15
5	Coupons	15 years	9.86	9.89	11.01
6	(8%-10¾%)	25 years	9.78	9.80	10.64
7	High	5 years	10.23	10.28	12.25
8	Coupons	15 years	10.01	10.04	11.22
9	(11%-)	25 years	9.90	9.91	10.78
10	Irredeemables†		9.88	9.88	10.54
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.69	3.73	4.64
12	Inflation rate 5%	Over 5 yrs.	4.09	4.10	4.01
13	Inflation rate 10%	Up to 5 yrs.	2.20	2.23	3.65
14	Inflation rate 10%	Over 5 yrs.	3.90	3.90	3.82
15	Debs &	5 years	12.09	11.98	13.48
16	Loans	15 years	11.75	11.72	12.74
17		25 years	11.47	11.48	12.73

‡Opening index 2307.0; 9 am 2306.9; 10 am 2315.1; 11 am 2322.6; Noon 2325.3; 1 pm 2322.4; 2 pm 2321.4; 2.30 pm 2319.4; 3 pm 2317.4; 4.10 pm 2318.8; (a) 11.53am (b) 9.18am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323.

LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	75	0	11
Corporations, Dominion and Foreign Bonds	9	0	12
Industrials	644	96	816
Financial and Properties	401	26	324
Oils	23	20	49
Plantations	3	1	6
Mines	42	15	108
Others	66	21	56
Totals	1,263	179	1,382

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1990/91 High	1990/91 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
§100	F.P.	-	95	58	‡Eidos 10p	58		-	-	-	-
-	F.P.	-	18	16	‡Europe Energy 5p	16		-	-	-	-
-	F.P.	-	3825	3525	Eurotunnel Fndr. Wrrnts	3550		-	-	-	-
-	F.P.	-	120	90	JF Pacific (New Wrrnts)	120	+20	-	-	-	-
50	F.P.	-	45	43	Trio Inv. Tst.	44		-	-	-	-
-	F.P.	-	9	6	Do. Warrants	7		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1990/91 High	1990/91 Low	Stock	Closing Price £	+ or -
-	-	-	86	68	Brent Walker Capital 13pc Cv Cap Bd	78	-2
4	P/P	29/11	38p	30p	‡Greenacre Group Cv. Rd. Prf. 70p	30p	
35	-	-	34½	29½	Grosvenor Securities 8pc Cv Ln 2000	34½	
100p	F.P	-	103p	96p	TT Group 10⅞pc Cnv. Red. Prf. 1997	101p	
100p	F.P.	-	110p	97p	Worcester Cm Rd Cv Pf	107p	+2

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1990/91 High	1990/91 Low	Stock	Closing Price p	+ or -
15	Nil	-	2pm	2pm	‡ Europe Energy 5p	2pm	
12½	Nil	-	1¼pm	1¼pm	Ptarmigan	1¼pm	
197	Nil	-	45pm	37pm	Tesco 5p	40pm	-3

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W-Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ‡ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Feb. 18
- Last Dealings March 1
- Last Declarations May 30
- For settlement June 10

For rate indications see end of London Share Service

Calls in BTR warrants 93/94, Carlton Comms., Candover Invs., Control Sec., Cable & Wireless, de Morgan, Doctus, Erskine House, Eurocopy, Ford Sellar Morris, Granada, Ladbroke, Medeva ord. & warrants, Merivale Moore, Monarch Res., Pilkington, RTZ, Tootal, Trafalgar House, TSB Channel Islands, Wimpey (G.) and Western Mining. Puts in Barrett (H.) and Owners Abroad. Put and call in Baggeridge Brick.

LONDON TRADED OPTIONS

THE DERIVATIVE markets were calmer yesterday due to the closure of US markets and as investors reflected on the recent strong rise in world equities and the uncertainty in the Gulf.

Despite the big rise in New York in the previous session and further advances in Tokyo, London started the day in a lacklustre manner. But with European markets, particularly Germany, moving strongly ahead UK equity futures started to advance.

The confusion which followed Iraq's peace proposals continued to affect the London markets. Some investors had taken short positions, expecting shares to decline. Yesterday, some of the shorts tried to close their positions and this contributed to a squeeze in the market.

The larger institutional investors were said to have stayed out of the market, suspicious of the rally. UK economic conditions weigh on sentiment but the rise in overseas markets could continue to push UK shares higher.

March FT-SE 100 index closed at 2,345, up 17 points on the day. March's lead over the stockmarket narrowed to 27 points, against 32 in the previous session, as investors sold futures and bought shares. According to brokers' calculations, March should trade around 8 points above the cash index.

In the traded options market, turnover picked up, as interest in FT-SE 100 index options increased. The total 37,148 lot turnover, compared with 33,853 on Friday. The business was divided between 26,429 calls and 10,719 puts.

The FT-SE activity advanced to 8,527 lots compared with 7,396 and was divided between 4,976 calls and 3,551 puts. The April 2,200 puts were the most active, trading 1,506 contracts.

Among the stock options, British Steel was the busiest, with 1,109 calls and 555 puts changing hands.

The April 130 calls were the most popular.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons (*509)	460	64	72	82	5	12	16
	500	31	42	55	14	26	29
	550	8½	21	32	45	55	58
ASDA (*128)	120	14	20	22	4	5½	7½
	130	8	14	17	7½	8½	12
	140	4	8½	-	14	16	-
Brit. Airways (*152)	140	20	21	25	4	10	11
	160	8	10	15	13	20	22
	180	3	-	-	30	-	-
[illegible]							

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Utd. Biscuits (*364)	360	15	26	34	16	19	22
	390	4½	-	-	38	-	-
Unilever (*733)	700	49	68	87	17	27	34
	750	20	37	55	40	54	57
Ultramar (*321)	300	28	38	45	10	12	15
	330	13	25	30	22	27	30

Option		Calls Mar	Calls May	Calls Aug	Puts Mar	Puts May	Puts Aug
Elec. Ptg. (*£1903)	1850	110	160	-	50	70	-
	1900	80	130	-	80	90	-
[illegible]							

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Amstrad (*69)	60	10	12½	17	2	4½	7
	70	3	6½	11	5	9	11
Barclays (*398)	390	20	29	37	19	27	32
	420	5	15	24	43	45	48
Blue Circle (*252)	240	21	26	34	6	14	19
	260	8½	15	23	15	25	28
British Gas (*258)	220	22	31	35	2	4½	7½
	240	8½	18	20	7½	11	17
Dixons (*166)	160	10	22	23	5	9	12
	180	3	11	14	17	19	21
[illegible]							

UK COMPANY NEWS

When radical surgery is the doctor's advice

Jane Fuller on the rescue plan for Courtney Pope

WITHIN THE next month in London there will be a stormy meeting of people owed money by a clutch of subsidiaries belonging to Courtney Pope (Holdings), the shop-fitting and engineering group.

The angry ones will be trade creditors because the receivers at Courtney's lighting subsidiaries will probably say that little, if any, of the asset-sale proceeds will be left over to pay them. This is in spite of the fact that the parent company and other parts of the group remain in business.

The group, which last October appointed Mr Ronnie Aitken, a "company doctor", as chairman, has taken the unusual step of asking its banks to appoint receivers at six of the group's subsidiaries, with two more likely to follow. Altogether they accounted for about 60 per cent of the group's £32.4m first-half turnover.

The action is an attempt to rescue the good companies in the group from those responsible for its losses and most of its debt. Courtney last week disclosed an interim pre-tax deficit of £3.5m, which came on top of a restated pre-tax loss of £5.1m for the year to May 31.

Whatever the financial benefits, however, the casting off of subsidiaries – which one insolvency expert described as shedding a moral responsibility – carries some business risks and is an option only open to some companies.

It obviously causes ill odour among trade creditors, but the damage to business credibility can have wider repercussions. Mr Roy Barber, chairman of Astra Holdings, the munitions company which let an ill-fated Belgian acquisition go into receivership, said potential customers might be wary of granting long-term contracts, and "everyone will want parent company guarantees."

The action was like dealing with a gangrenous foot. "Amputation will save your life, but it leaves you hobbling," he added.

In the case of Parkfield, the mini-conglomerate brought down by problems in its entertainment division, amputation was not an option.

Mr Malcolm London, one of the joint administrators from Cork Gully, said the group operated as one company through divisions. Had these been subsidiaries, it might have been possible to put just the bad apple into receivership, "depending on whether its liabilities were guaranteed around the group."

In many groups with a subsidiary structure, substantial cross-guarantees did exist, "in which case this action won't help".

Mr Aitken, who heads a new management team at Courtney, said he had been involved in this type of financial surgery in the 1974-75 recession, when he conducted many receiverships as a partner in Binder Hamlyn.

"It is a very serious decision not to support a subsidiary. If we had gone on putting money into certain companies in the group, everything would have run out of cash," he said.

The main losers are likely to be the unsecured trade creditors. The amount owed to them by the subsidiaries in receivership, or bound for it, is £5.2m. This compares with the best part of £9m owed to the banks.

Mr Aitken said the only debts involving cross-guarantees between the subsidiaries and the parent were the bank loans. The group would make up the shortfall of perhaps £1m owed to the banks after they had exercised their prior claims to the money raised by the receivers.

The banks – Royal Bank of Scotland, Barclays, National Westminster and Lloyds – were unwilling to comment. But, as Mr Aitken pointed out, the move is an "intelligent" one for them because "they get their money back sooner rather than later, and they were lending to probably unviable companies."

Mr Nigel Atkinson, one of the receivers from Touche Ross dealing with the five lighting subsidiaries, said he hoped there would be some funds for the preferential creditors, such as the Inland Revenue, but there was unlikely to be any for the unsecured creditors.

Another potential loser is Balfour Beatty, part of BICC. It is sueing Quickwood, a shopfitting concern and the latest Courtney subsidiary to go into receivership, for about £4m. Although Quickwood has a counter claim for £1.2m, the sums and delays involved, coupled with the deteriorating trading climate, led the new board to cut another umbilical cord.

Among the financial advantages to Courtney are on redundancy pay. Whereas some groups closing parts of their business have agreed to pay substantial amounts to ease the job-shedding process, in this case the state may help with any shortfall in funds available to pay employees their statutory entitlements.

Mr Philip Wallace, of KPMG Peat Marwick McLintock, also pointed to a saving of management resources in handing over ailing subsidiaries to insolvency experts.

But whatever the benefits, he said such action would only be taken "under circumstances that are pretty dire and when the parent company is in a position where its reputation is no longer valuable. For instance, companies with a substantial credit rating would not let a subsidiary go because of the damage to that rating."

Apart from the bankers, there is another group of people who have a smidgeon to be thankful for: the shareholders. For although they have seen the share price tumble from 170p to 13p in the past year, at least they have that left – plus some hope for the much-scaled down business.

They remain in a better position than the shareholders of British & Commonwealth Holdings, the financial services group which tried to save itself after putting its Atlantic Computers leasing subsidiary into administration. After six weeks of frantic salvage efforts, it was the withdrawal of bank support from B&C Merchant Bank that finally sent the parent down the same road as it subsidiary.

Whether the amputation of insolvent subsidiaries ultimately works for Courtney Pope, other companies might follow its example. For such recession-battered companies, radical surgery could be the only hope.

Ronnie Aitken: the action is intended to rescue the good companies in the group from the loss-makers

Company earnings decline 6%

By Maggie Urry

EARNINGS PER share from UK quoted companies will have declined by nearly 6 per cent during 1990, according to stockbrokers Hoare Govett. This will have been the second year of falling earnings for the total UK market after a near-5 per cent fall in 1989.

The figures come from Quoted UK, Hoare Govett's fictional company designed to represent the stock market as a whole and give a guide to likely performance in the coming results season.

Its results are produced from estimates of the performance of the 160 leading companies which account for 80 per cent of the stock market's capitalisation, and are then grossed up to represent the entirety of the stock market.

At the pre-tax level Quoted UK showed a 1.8 per cent decline to £56.4bn on turnover 7.3 per cent higher at £515.8bn.

The fall in profits was caused by lower margins – as companies have failed to pass on cost increases to their customers – and from a 31 per cent higher interest charge.

Interest cover fell from 12.3 to 9.3 times.

Hoare Govett said that the strength of sterling had cut Quoted UK's profits by 5 per cent in 1990.

In spite of the fall in earnings per share, Hoare Govett is forecasting a 6 per cent increase in dividends, cutting the dividend cover from 2.3 times to only twice.

This dividend increase is, however, less than the rate of inflation and follows rises in dividends of over 15 per cent in each of the three previous years.

The broker is forecasting another difficult year in 1991.

The "chairman's" statement says that the current year has not started well and "further cuts in interest rates are essential if we are to see a recovery in the second half of 1991".

The forecast for earnings growth in 1991 is 5 per cent, with a dividend increase of 7 per cent.

Within the total, the estimate of the industrial group's performance in 1990 was of an 8 per cent earnings per share fall and 5 per cent dividend increase. The prediction for 1991 is a 4 per cent rise in earnings per share and a 6 per cent rise in dividends.

The value of acquisitions made during the year fell by 40 per cent to £17.5bn, although the amount spent on purchases in continental Europe more than doubled to £4.8bn. Quoted UK raised 20 per cent less money through the equity market, a total of £11bn, and net debt rose by 8 per cent to £64bn, with gearing little changed.

The worst performing sector was composite insurance, which is expected to take the wooden spoon again in 1991. Other poor areas were building related, and engineering, electricals, chemicals, textiles and life assurance. The banks should have turned in the best performance because of the absence of sovereign bad debts. Others showing increases are consumer related, utilities and some financials.

Pavilion plans to liquidate two problem subsidiaries

By Jane Fuller

PAVILION Leisure, the property and hotels group which fell into the red in the first half of last year, plans to put two of its problem subsidiaries into liquidation.

The subsidiaries are Clifford Barnett, which recently ran into problems over a swimming pool contract in Bedford, and Hencemead.

Both are involved in the construction and management of local authority leisure centres. About 10 such centres are believed to be involved.

Mr Peter Eyles, who took over as chairman and chief executive of Pavilion in September, said an extraordinary general meeting had been called for March 6 to discuss whether to wind up Clifford Barnett and Hencemead. Because of their liabilities, the banks no longer wanted to support them.

A creditors' meeting is due to follow the EGM.

It is not yet clear how much of Pavilion's debt, which stood at £38m on October 31 1989, is attached to these two subsidiaries, nor how much is at risk in terms of trade credit.

Mr Eyles said the banks were continuing to support other parts of the group, namely the Select hotels, some other leisure operations including the Pavilion in Glasgow, and one or two commercial properties. A refinancing package was being discussed with the banks.

When Mr Eyles took over, he called in KPMG Peat Marwick McLintock to examine Pavilion's affairs and the restructuring moves follow the delivery of their report.

Pavilion's share price has fallen from 76p to 6p in the past 12 months. It made a pre-tax loss of £2.3m (profit of £2.2m) in the six months to April 30 on sales of £13.4m (£11.8m). The year-end has been changed to December 31.

COMPANY NEWS IN BRIEF

ALAN PAUL is buying the Andre Bernard hairdressing chain from the receivers for up to £300,000 cash. Andre Bernard operates 41 salons nationally, of which 20 are within Debenhams department stores and 13 within Co-op stores.

BRITISH VITA is, through Vita Interfoam, its Netherlands-based subsidiary, in discussions to acquire the foam and mattress division of Vredestein.

BURMAH CASTROL is offering 93.33p cash for each Foseco 4% cumulative preference share: Offer for Foseco ordinary capital was declared wholly unconditional in December.

EADIE HOLDINGS is to sell its Alloy Wire subsidiary to its management for £700,000 plus a further asset-based consideration. Proceeds will be used to reduce group borrowings.

ELECTRON HOUSE: Almo Electronics, trading subsidiary of group's 44 per cent-owned US associate, has agreed the sale of certain of its assets, principally stock, and its business to Bell Industries.

GLEESON (MJ) Group, has acquired Hesselberg Hydro, a specialist international contractor and former subsidiary of Shephard Hill which went into receivership in December.

GOODHEAD GROUP is selling its Jacksonville Shopping Guide title and the operating assets relating to the free newspaper in Florida for $660,000 (about £333,000) to Mr Gary Moggach, a private individual. The company has also closed its other publishing operation in Florida, the Orlando Saver.

HALMA has paid £1.08m for Elms Lightning Tools & Fasteners of Birmingham.

SIMS FOOD Group has acquired two private meat companies, Quantock and W & W, for an initial £1.5m, met by the issue of 769,230 ordinary shares. Of these, 256,410 have been placed on a vendor's behalf. The remainder are to be retained by vendors for a minimum two-year period. Further consideration up to £0.5m is dependent on the two acquired companies' future performance.

WILLIS CORROON, insurance broker, has acquired two US firms, RL Colosimo & Associates and Naylor Banefits, both of Salt Lake City, Utah. Both firms are specialist retailers of employee benefits with combined revenues in 1990 of about $850,000. Consideration met by issue of 612,500 new Willis Corroon ordinary shares.

UK COMPANY NEWS

£11.75m sale marks McKechnie's withdrawal from European metals

British Steel acquires Stelco Hardy

By Paul Cheeseright, Midlands Correspondent

MCKECHNIE, the Midlands-based industrial holding group, yesterday completed its withdrawal from the European metals sector when it announced the sale of Stelco Hardy, the stainless steel tube manufacturer, to British Steel for £11.75m cash.

From now on, McKechnie will concentrate its main international business on plastic and specialist engineering products. The exception is the Pacific region where McKechnie Metal Products (NZ) will continue as before.

British Steel, already the biggest stainless steel producer in the UK from plants in Sheffield and South Wales, is buying Stelco Hardy as a means of adding value to its general steel production.

"We regard it as an extension of our own business into a growth market," it said yesterday. Stelco Hardy, in fact, buys its raw material from British Steel.

However, there are also unstated defensive motives in British Steel's decision to buy a company at 3.69 times asset value and 12.1 times pre-tax earnings for the year to July 1990. First, it is naturally anxious to keep continental European competitors out of its own backyard. Second, it would scarcely have been pleased to have seen a consistent customer poached by a competitor.

Although McKechnie would not specify which companies had been involved in the bidding for Stelco Hardy, it is clear that British Steel was obliged to fend off continental European steel producers in order to secure its latest acquisition.

For McKechnie, the sale of Stelco Hardy brings to more than £52m the total raised by selling its largest metals subsidiaries.

Previous transactions realised £28m for the sale of McKechnie Extruded Products to Boliden of Sweden and £12.5m for the sale of Worcester Parsons to Newman Tonks.

The effect is to reduce gearing from about 50 per cent before the sales started to zero by the end of the financial year next July. Current gearing is 10 per cent. January is usually the month when McKechnie gearing reaches its peak, following dividend and tax payments.

Mr Stuart Moberley, financial director, noted that McKechnie was now in a position financially either to weather the recession or to pursue expansion in North America and western Europe.

"Our current plans do not include a major UK acquisition," he said. Nevertheless, there is in the UK a continued appetite for "bolt-on acquisitions", small companies which could enhance and be integrated into existing McKechnie companies in the plastic and specialist engineering sectors.

This posture springs from a McKechnie board review nearly three years ago when it became apparent that the group could not afford to expand in three sectors.

It decided to disengage from the metals business because of the steady decline in demand for brass extrusion products over the last 10 years, even including what now look like the halcyon years of 1987 and 1988.

But investment in the metals business was still taking place as late as 1989, largely in order to make it fit for sale. And in the year to July 1990, metals produced operating profits of £8.7m.

Capital expenditure, other than that on acquisitions, continues but at a reduced rate. Machinery, for example, is being replaced but output is not being expanded. Mr Moberley said that between 1988 and 1990 expenditure was running at a rate equivalent to double the group's depreciation allowance – about £25m a year. In the current financial year, it is down to 125 per cent of depreciation at about £13m, a decline which has latterly become commonplace in UK industry.

Administrators appointed at Chancery parent

By John Authers

CHANCERY, the banking and financial services group, appointed administrators yesterday, having fallen victim to the recession in the property market.

The administration order refers only to the parent company of the group. Normal trading will continue at its subsidiaries, best known for sponsoring tax shelter investments under the Business Expansion Scheme (BES).

The joint administrators are Mr Colin Bird and Mr Mark Homan of Price Waterhouse. In a statement, Mr Bird confirmed that Chancery's problems were caused by over-extension in the depressed property market.

"We don't have a fiasco. We have an illiquid bank." He said investors were still safe to invest in BES schemes sponsored by Chancery as all their money was paid into trust accounts.

However, the bad news surrounding the parent company is likely to have an adverse effect on subsidiaries' products in the marketplace. Shares in the company were suspended on Friday after speculation about a rights issue had forced down the price.

Provisions of £3.5m were made against property loans in Chancery's last interim accounts, in December, and Price Waterhouse is *"urgently" reviewing Chancery's* loan book.

Mr Bird said: "Current trading conditions, particularly in the property market, have caused a liquidity problem which we hope will be short-term. There is no need for anyone to panic."

He added that assets exceeded liabilities. Depositors are covered under the Banking Act, and can be guaranteed 75 per cent of their account up to a maximum of £20,000.

Chancery is a member of The Securities Association and a founder member of the BES Association.

Mr Tim Villiers, chairman of the BES Association, said: "It's a matter of great regret but it is not the fault of the BES side of the business as such. It looks as though BES sponsors are not very good at choosing their parent companies."

He added that if necessary several other companies which sponsor BES investments would consider sponsoring Chancery's issues for the remainder of this tax year.

Henry Barrett warns of sharp downturn in full year profits

By Jane Fuller

HENRY BARRETT Group, the once-acquisitive steel and industrial products concern, has warned that pre-tax profits will fall substantially below the £12.5m achieved in the year to August 31.

Mr James Barrett, chief executive and son of non-executive chairman Mr Guy Barrett, said pre-tax profit forecasts had ranged from £7m to £12m before yesterday's announcement. "We are happier at the £7m end."

Panmure Gordon, the house broker, had been at the top end of the range. Mr Angelos Anastasiou, an analyst at Panmure, said yesterday he had brought down the forecast to £11m a month ago and "in the light of today's statement, I'm now going for between £5m and £7m."

Mr Barrett said it had been necessary to clarify the group's trading position following a recent rise in its share price. After falling from 267p last March to 75p last month, it had recovered to 92p. It closed at 81p yesterday, after initially diving to a new low.

The part of the group worst affected by recession was the design and build operation. This accounted for about 55 per cent of turnover in the steel building division, which contributed £61.6m to group sales of £139.7m last year.

Happier at the £7m end – James Barrett (right), chief executive, and his brother Richard, managing director

"That division has gone from high profitability to break-even or a small profit," he said.

There was, however, light at the end of the tunnel because although demand had not picked up, smaller competitors were going out of business, alleviating pressure on margins.

The group's last big acquisition, Don Reynolds, bought for £10.8m in December 1989, would only make a small profit contribution in the first half of the year, but now had substantial orders.

Margins had also been hit in the steel services division. Cost cutting had kept it profitable, but at a lower level than last year.

Altogether about 200 jobs had been shed out of a total of 1,500. Redundancy costs would be one reason for the first half results being particularly badly affected, said Mr Barrett.

The group planned to halve gearing from more than 50 per cent by disposing of non-core businesses.

Ashtead falls 31% to £2.3m

By Michiyo Nakamoto

LIKE MANY other companies engaged in the UK construction market, Ashtead yesterday reported a sharp downturn in profits.

Turnover, buoyed by acquisitions, rose by £2.3m to £17.3m in the six months to end-October but at the pre-tax level the plant hire group saw profits fall by 31 per cent to £2.3m – the first setback since management acquired 30 per cent of the equity in 1984.

The gain in turnover arose entirely from contributions from Subspek and Sunbelt, two businesses that Ashtead acquired early last year.

The interim dividend is increased by 10 per cent to 1.1p from lower earnings of 8.6p (13.3p).

The fall in profits followed a strong performance in the previous full year when, in spite of a weakening construction market, the company posted a 42 per cent rise in taxable income to £7.82m.

Mr Peter Lewis, chairman, said the company had performed relatively well in the face of harsh trading conditions in the UK. It had been able to maintain operating margins of 20 per cent which, although down from a previous 28 per cent, were still among the highest in the sector.

Each of its 49 local depots had reported trading profits in the first half, while three quarters had earned profit-share payments under the company's profit-share scheme.

An aggressive marketing strategy had helped Ashtead to keep the fall in hire turnover in the UK to just under 2 per cent compared with a year ago.

Sunbelt Equipment and Rentals, the specialist plant hire company based in north and south Carolina, produced turnover of £889,000 and operating profits of £149,000 compared with a break-even in 1989. Subspek, which offers survey and inspection equipment hire services to the offshore oil industry in the North Sea and Dubai, contributed £1.45m in turnover and £361,000 in operating profits. Its Middle Eastern business was not large enough yet to affect group results significantly, the company said.

It added that gearing, which rose to 83 per cent (53 per cent) because of the acquisitions made earlier in the year, was not likely to change much in the current year.

However, a marked fall in gearing was likely next year on the strength of strong cash flow, at £6.3m in the first half, and a halving in capital expenditure to about £5.4m for the year.

The company's underlying asset base was strong with a net asset value per share of 93p against a closing price yesterday of 90p, a rise of 7p.

Raglan gets bank aid after losses

By Clare Pearson

RAGLAN PROPERTY Trust, a development and investment company, announced it had signed support agreements with three of its four main banks at the same time as it revealed a pre-tax loss of £3.38m for the six months to end-September 1990.

Raglan said a separate arrangement was also being discussed with Security Pacific National Bank concerning a loan made to one of the subsidiaries.

The pre-tax loss compared with profits of £598,985 for the comparable period.

Some £800,000 worth of fees in connection with the banks' support agreements are included in a £3.65m exceptional debit. The negotiations with Security Pacific relate to a development at Horsham in Sussex where Raglan said building work was virtually complete.

The rest of the exceptional item comprised provisions against further property value downturns and a £1.4m charge for the revision of an agreement with Tameside Borough Council.

Turnover was £2.15m (£6.47m). There were losses per share of 1.9p compared with earnings of 0.2p. Net assets per share fell to 1.1p (12p).

Raglan made a loss of £13.36m for the last full financial year, after an £11.5m exceptional debit.

Following the company's usual practice there is no interim dividend.

City Gate and Alpha Estates fall victim to property recession

By Vanessa Houlder, Property Correspondent

TWO MORE companies yesterday fell victim to the mounting recession in the property industry.

City Gate Estates, a Swedish-controlled developer of London property, appointed administrators.

Alpha Estates, a USM-quoted property company engaged in developments in Yorkshire and the Midlands, asked Barclays Bank to appoint a receiver.

City Gate went into administration following the failure of a purchaser to pay £16m that was owed on a Hammersmith office development.

The company has been in litigation with the purchaser, Heathmount Investments, and the ultimate guarantor, Pharaoh Holdings, a company controlled by Dr Ghaith Pharaon, a Saudi businessman.

The administrators, who are Mr Phil Wallace and Mr Tim Hayward, partners of KPMG Peat Marwick McLintock, were optimistic that the sum could be recovered.

The administration order has been supported by the company's secured lenders, who agreed together with the company's shareholder, the Swedish-based Fastighets Accura, to provide financial assistance to the administrators.

Mr Wallace said: The successful outcome of the litigation and recovery of sums due is crucial to the company's survival and I intend to take all necessary actions to achieve this goal. The granting of the administration order and the financial support of the shareholder and the principal secured lender should provide a sound basis for pursuing the litigation."

If the litigation is successful, City Gate has assets of £35m which are broadly equal to its liabilities.

City Gate was quoted on the USM until May 1990, when it was taken over by Accura Real Estate, ultimately controlled by Fastighets Accura. It was engaged in the development of commercial and residential property, primarily in London.

The latest casualties in the property sector follow last week's appointment of liquidators to Land & Property Trust, one of the largest UK private property companies.

£2.6m provision at Temple Bar

By Philip Coggan

TEMPLE BAR Investment Trust has followed the lead of Throgmorton Trust in making a provision against the cost of redeeming its convertible unsecured loan stock.

Convertible loan stock was issued by many companies in the 1980s. Investors were willing to accept a lower interest rate on the stock because they hoped they could profit on conversion if share prices rose sufficiently. The sluggish stock markets since October 1987 have made conversion unprofitable for many stock holders.

Some £22.9m of Temple Bar loan stock is redeemable, at the holder's option, at 117 per cent of par value as from August 31 1992. Temple Bar has made a £2.59m provision against the £3.9m cost of paying the premium to par value. Conversion is unlikely since the shares would need to rise from their current 237p to 371p to make conversion profitable.

The loan stock provision, added to a £3.89m write-down in the property portfolio, contributed to a fall in net asset value of 21.1 per cent to £144.4m in the year to December 31 1990.

Nav per share (net of prior charges at market value) fell by 21.4 per cent to 249.7p (317.5p).

The trust said that its underperformance was also due to its large exposure to smaller companies, leisure related groups and more cyclically oriented stocks.

In spite of the asset fall, pretax profit rose to £11.13m (£9.05m) and the final dividend is increased by 20 per cent to 7.8p (6.5p) making a total of 11.9p (10.2p).

River Plate may launch bid for Ambrose Trust

By Philip Coggan, Personal Finance Editor

THE RIVER Plate and General Investment Trust is considering making an offer for the Ambrose Investment Trust after yesterday defeating the latter's proposals for unitisation.

Ambrose, a split capital trust which is due to be wound up by the end of March, had proposed that its capital shareholders would receive units in the Consistent Unit Trust.

The switch would have allowed investors to roll over their holdings and postpone capital gains tax. Income shareholders would have received cash payments of 27.1p per share, plus a final dividend of 12.78p per share.

However, at an extraordinary general meeting yesterday the proposals failed to get the requisite 75 per cent majority. Although 99.6 per cent of the capital shareholders who voted supported the proposal, only 61.2 per cent of income shareholders who voted did so. The bulk of those who voted against were associated with River Plate.

River Plate said that it approached the board of Ambrose last week but failed to reach agreement. Mr Malcolm Le May, of Barclays de Zoete Wedd, said yesterday that "this investment trust has been around since 1926. It would be nicer for the industry to have an investment trust solution than a unit trust solution."

The principal terms of the possible offer that River Plate might make are: units with a current market value of 27.8p or 27.5p in cash for each Ambrose income share; and units representing 104 per cent of formula asset value (FAV) of each capital share. Ambrose capital shares rose 30p to 600p yesterday.

River Plate, like Ambrose, is a split capital trust and thus can only issue "units", made up of income shares, capital shares with warrants and zero dividend preference shares.

Split capital trusts were devised to eliminate the discount to net assets at which shares in most trusts trade. River Plate shares accordingly stand at a premium to its asset value, which makes it easier to launch a takeover.

Nevertheless, if the bid goes ahead it is believed this would be the first takeover involving split capital trusts.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Ashtead ....int	1.1	Apr 8	1	-	3.75
FII Group ....int	5	May 7	4	-	11.25
Howard Hldgs ....int	nil	-	0.6	-	1.5
Sec Alliance Tst ....int	11.5	Apr 5	11	-	33

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue.. †On capital increased by rights and/or acquisition issues. §USM stock.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interim- Baldwin.
Final- Scottish Eastern Inv Trust.

FUTURE DATES

Interims-

F&C High Income	Mar. 21
Goodwin	Feb. 28
Isotron	Feb. 28
River & Merc Geared Cap	Feb. 21

Finals-

Associated British Ports	Mar. 14
British Polythene Inds	Mar. 11
Edinburgh Inv Trust	Apr. 23
GKN	Mar. 6
Life Sciences Intl	Mar. 4
Merlin Intl Green Inv	Feb. 21
Mersey Docks & Harbour	Feb. 25
Nykredit Mortgage Bank	Feb. 22
Perry	Mar. 6
Pickwick	Mar. 6
Renown	Feb. 25
Stainless Metalcraft	Feb. 21
Taveners	Feb. 21
Torday & Carlisle	Mar. 4

Capital Radio director raises interest to 20.6%

By Alice Rawsthorn

SHARES OF Capital Radio, the London-based broadcasting group, yesterday firmed 2p to 158p following the announcement that Mr David Maule-ffinch, a director, had increased his shareholding to 20.6 per cent.

Mr Maule-ffinch has bought an additional 3m shares through Dominfast Investments, his private investment vehicle, from the Oyston family, which has extensive media interests.

This means Mr Maule-ffinch now owns 13.82m Capital shares. He said he had no "present intention" of mounting an offer for Capital.

Capital, which has other investments in local radio and television as well as its own eponymous London radio station, is currently searching for a new chief executive following the resignation of Mr Nigel Walmsley, who is leaving to join Carlton Communications, two weeks ago.

Dominfast is in advanced stages of negotiation with an unidentified European communications group which is interested in acquiring 51 per cent of its equity with options over the remaining 49 per cent over five years.

Mr Maule-ffinch said that group also does not presently intend to take over Capital.

Com-Tek Resources cancels planned issue

By Clare Pearson

COM-TEK Resources, the USM-quoted oil and gas company based in Denver, yesterday said it was cancelling a planned share issue as it had not yet found a new stock broker to replace TC Coombs, where administrative receivers were appointed.

Applications for the new shares were due to be in by this Thursday. Com-Tek had planned to raise about £750,000 net of expenses via an issue of 29.45m new shares, of which about half were to be offered to existing shareholders.

People who have already applied under the 5-for-7 offer will have their money returned to them, Com-Tek said yesterday.

Mr Jim Ellerton, president, said the cancellation was "frustrating but nothing that is going to kill the company. We are cash-flow positive with only about $55,000 long-term debt." The funds were to have been used for development.

He said the main priority was to find a new broker as London representative of the company, which is also quoted on Nasdaq in the US. Com-Tek then hoped to consider another form of capital-raising.

Earlier this month TC Coombs was suspended by the Securities Association for failing to meet capital requirements.

NEWS DIGEST

Howard Holdings tumbles

THE depression in the housebuilding industry has had a predictable adverse effect on Howard Holdings, the London-based property development and plant hire group.

Taxable profits for the six months to October 31 dived from £1.21m to just £154,765 and the interim dividend, previously 0.6p, is passed.

Mr John Howard, chairman, said the group's priority was to generate cash while maintaining its core businesses. "We have achieved this by disposing of stock at lower margins, thus reducing our borrowings and interest charges," he said.

Turnover dipped 22 per cent to £3.94m (£5.03m). Earnings per share fell from 3.1p to 0.4p.

Courtaulds expands in aerospace paints

Courtaulds, the speciality chemicals group, has bought the UK and Italian aerospace coatings businesses of PPG Industries, the US glass company. The purchase price was not disclosed but Courtaulds said it was insignificant in terms of the group.

The deal, covering PPG Industries (UK) and Industrie Vernici Italiane, will fill gaps in Courtaulds' coverage of the European market for aerospace paints. It is already an important player in the French market. The two businesses will be merged with Courtaulds' DeSoto Titanine subsidiary.

ATP hit by bad debts and interest

ATP Communications, the USM-quoted advertising agency, ran up a loss of £48,000 pre-tax for the six months to end-September compared with previous profits of £103,000.

Directors blamed the reversal on a combination of bad debts and high interest rates.

Turnover declined to £3.33m (£4.27m) reflecting a programme of disposals. Borrowings were reduced sharply with interest charges cut from £134,000 to £51,000. Losses per share emerged at 0.07p (earnings 0.15p).

Mr Andrew Thirkill, chairman, said trading conditions overall in the advertising and marketing industry had become tougher since the half year end and he thought it unlikely that the results for the full year would show an improvement over the first half.

Second Alliance nav declines 10%

Net asset value of The Second Alliance Trust at January 31 1991 amounted to £10.88 per stock unit. The figure represented a decline of some 10 per cent on the £12.16 of a year earlier.

Directors described the fall as "broadly in line with the UK equity market but less than the average for world stock markets as a whole".

"We have benefited relatively from our very small exposure in the Far East, from which we disinvested substantially last year" they added.

Net revenue for the six months period amounted to £3.43m (£3.24m) for earnings of 17.82p (16.81p) per stock unit. The interim dividend is raised by 0.5p to 11.5p.

CH Industrials sells vehicle sunroof stake

CH Industrials, the chemicals and engineering group, has sold its 50 per cent stake in Tudor Webasto, the vehicle sunroof operation, to Webasto AG, its joint-venture partner, for £7m cash.

Proceeds of the deal, which includes William Deakin and Precision Mouldings as well as Tudor Webasto's subsidiaries – all formerly part of CHI's automotive and mass transit division – will be used to reduce group borrowings.

In the year to end-March 1990, the companies disposed of by CHI achieved taxable profits of £900,000. Net assets amounted to £5.23m.

● Schade Bruce, owned jointly by CHI and Schade, the metal-framed products group, has been reorganised. Certain of its assets and business relating to its automotive projects have been sold to a Schade subsidiary for £924,000 cash. CHI has purchased outstanding Schade Bruce shares for £300,000 cash and the offshoot, which has assets of about £600,000, is to be renamed Bruce Engineering.

Exports help boost FII to £39.69m

Increased exports helped lift turnover from £37.04m to £39.69m at FII Group, Britain's second biggest footwear manufacturer.

However, the strength of sterling and the UK recession combined to push margins down, leaving pre-tax profits at £3.7m for the half year to November 30 against £4.02m for the comparable 27 week period.

Although footwear is the company's main business – it supplies Marks and Spencer and its Lotus brand has a significant presence in the high street – its two most recent acquisitions have been in its scientific equipment division.

This now accounts for 13.9 per cent of group turnover but, as a result of cutbacks by UK customers and delays in receiving orders from the US, the division contributed a reduced 12.7 per cent (14.7 per cent) to net profits.

Overseas sales from both divisions increased 51 per cent to £5.3m (£3.5m), but the biggest increase in exports came in footwear where additional emphasis on overseas marketing led to a 70 per cent rise and "helped provide a measure of immunity from the downturn in domestic retailing", according to Mr Monty Sumray, chairman.

Earnings per share came out at 17.5p (18.6p restated).

The interim dividend is being increased from 4p to 5p.

TECHNOLOGY

Della Bradshaw examines ways of safeguarding against computer viruses, in the final article on data security

Regular dose of prevention

Friday the 13th, Creeper and Reaper, and Flu Shot 4 may sound to the uninitiated like the latest Hollywood film releases. But those who have been affected by them know to their cost that these are computer viruses – computer codes which replicate themselves from one computer to another and then alter or destroy software.

Although the first viruses did not appear until about 1987, there are now about 250 of them documented, with Bulgaria holding the infamous title of the country with the most prolific school of virus writers.

Most businesses are becoming increasingly aware of their effects and the difficulties and expense of eradicating them. "A year and a half or two years ago there was a lot of talk about viruses, but now they are becoming a real problem for British businesses," says Peter Lammer, managing director of Sophos, in Abingdon.

Rolls-Royce, for example, says that it has experienced a near epidemic of viruses this year. Since the beginning of 1991 it has detected four separate incidents, more than it suffered throughout 1990. And British Rail says that it has had six or seven virus outbreaks over the past three months.

While the early computer viruses were just annoying – a ball bouncing across the screen or an insulting phrase inserted every time names such as Thatcher or Bush were typed – the latest viruses are both destructive and difficult to detect. "There's a kind of war going on between the virus developers and writers of anti-virus software," says Chris Frost, senior manager in the European data security division of Price Waterhouse. "One side develops a better missile and then the other side develops a better anti-missile missile."

The comforting news for companies is that any virus that attacks them is likely to be one of the more common varieties. "More than 99 per cent of the people we see have common viruses – the Jerusalem or the Cascade," says James Dearden, international support manager at PC Security, of Buckinghamshire. In spite of that, getting rid of viruses can be expensive. Companies with large numbers of discs may find that they have to search through thousands to find the rogue one.

Lammer cites the case of a computer centre with 400 PCs which was infected, and which had to close down for four days to clear out the virus. "Although the virus wasn't destructive, by the time you've lost 1,600 man days the loss in commercial times is quite substantial."

Advice abounds for companies that want to protect their software by carrying out "safe computing" – a term coined after the Aids computer virus *struck about a year ago.*

- The first thing is to ensure that employees are aware of viruses and the problems they can cause. "Unlike other security threats it is usually the well-meaning trustworthy employee who causes or spreads the problem," says Lammer. "It is the sort of person who buys a PC magazine with a disc on the front and tries the disc out to see if it is of any commercial use to the company." Employees must understand that they should not bring in their own diskettes – or games to play in the lunch hour.
- The company should have central control over software purchasing. "Employees should not be allowed to go down the high street and buy a package to run on the company's PC," says Chris Hook, senior consultant at the UK's National Computing Centre. Software should only be bought from reputable suppliers.
- Any disc that comes in to the building should be checked for viruses before it is used. The PC used to carry out the checking must not be part of the office network. Hook points out that any out-of-date PC is adequate to do the job.

Virus checking software, from companies such as Sophos, S&S International, of Berkhamsted, and International Data Security, of London, works by checking for the individual pattern that every virus leaves in the program.

- For companies with networked PCs, centrally orchestrated checking can be done on a regular or random basis. David Hoy, senior IT analyst at Conoco UK, the oil company, says that the computer network in his company's five central London offices – which house up to 1,000 terminals in total – is regularly checked. This can be done if the central data processing or security department thinks there is, or is likely to be, a problem. "For example, on the Thursday before Friday the 13th they'd probably blitz the whole lot!" says Hoy.
- Others, such as Gahan, recommend going as far as eliminating discs altogether, and using PCs without discs. As well as being less expensive – PCs without discs cost about £300 less than those with discs – Gahan points out that it is easier to load new software on to a central server than on to individual PCs.

With such procedures in place, many companies can prevent themselves from falling prey to virus attacks, says Garth Notley, managing director of Inovex Technology, a Winchester-based design and development house. Notley reports that over the past three months his company has thwarted two viruses. Staff are trained to know that any diskette which does not have a company label on it must have a signed sticker attached which indicates that it has been through the checking process – otherwise it must not be used.

However, even with all that protection viruses can creep into the system. "You can't protect against a targeted malicious attack with an unknown virus using a company employer to help," says Notley.

Because the virus-checking software only looks for specific known patterns, newer viruses can creep through undetected. And clever new viruses have trained themselves to avoid detection. The latest "stealth" viruses change their identification code every time the program is loaded – so the detection system cannot look for a specific string of code.

Other viruses are "armoured" to prevent detection. When they latch on to a program they encrypt it entirely, making it difficult for the scanning software to detect where the virus code begins and ends. One particularly virulent variety encrypts the files and then decrypts them when the user wants to run them. But remove the virus, and it becomes impossible to decrypt the files.

Other viruses have even been developed that remove themselves altogether from the program when the detection software is run.

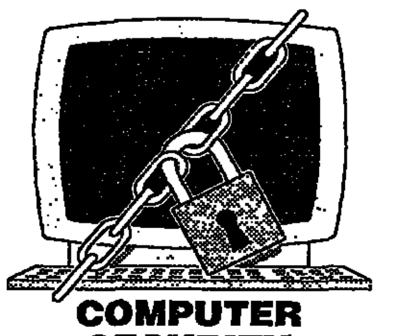
The first sign that a virus has crept into the system is likely to be that a file changes size and that the date of the file is changed – factors which only the most eagle-eyed are likely to spot. The first many computer users would know of the infection would be if the computer crashes or behaves strangely, taking a long time to perform rudimentary tasks, for example. Others may not spot the virus until its effects are seen – such as unprompted messages on the screen.

The latest and nastiest viruses, which change their identities regularly, can only be detected by using special mathematical software. This calculates a figure for each file on the system based on the length of the data and other factors. If a virus buries its way in, the calculation, when performed, would throw up a different figure – and alert the user.

Once the virus has been spotted there are two main ways of dealing with it. Software can be used to remove the virus by reversing the process by which it latched on to the program. Alternatively, because the virus only attaches itself to the computer program – although once activated it can alter or delete data – a dormant virus can be eradicated by destroying the disc and making a new one from back-up files.

"If you have adequate back-up then you can replace the files that have been destroyed and regard computer crime as no worse than your disk drive breaking down," says Frost.

Previous articles appeared on January 29, February 5 and 12.



COMPUTER SECURITY

When a laptop computer containing information about the UK's preparation for the Gulf war was stolen from a car in London last December, the security of laptops came under scrutiny – for businesses as well as the military.

As an increasing number of company employees, especially salesmen, are issued with laptops, growing amounts of commercially sensitive data become held outside the office. And machines can easily be stolen or lost inadvertently.

Chris Hook, senior consultant at the UK's National Computing Centre, recalls the story of one senior executive who put his laptop on the ground in order to unlock the car door. "It was not until he arrived home that he realised that the laptop was still on the pavement," muses Hook.

Once mislaid, it is almost impossible to detect if someone has taken a copy of the data. Hook's advice to companies which issue laptops to their staff is to insist that sensitive information not be stored on the hard disc but be put on a floppy one which can be removed and locked away.

In addition, they should have an access control mechanism so that the user has to tap in a password before he or she can use the data. A further measure is to encrypt the data.

Since laptops are used for sending and receiving information to and from the company mainframe they often become the weakest link in the security chain. To ensure that only an authorised laptop can extract data from the mainframe many companies are now turning to smart card authentication devices. These smart cards are programmed with an algorithm which changes on a regular basis. When the laptop user phones the mainframe the smart card device sends a message over the phone line, which the mainframe recognises.

Laptops can also be a means for computer viruses to enter the main computer networks: allowing the children to play their latest computer game on the machine over the weekend can have devastating results.

Ten of the most common viruses

Name	Effect
Brain	Irrelevant messages appear on the computer screen
Cascade	Characters fall down the screen and form a heap at the bottom
Datacrime	Destroys data held on the hard disc from October 13 in any year
Fish 6	Difficult to detect because it removes itself from the file while virus detection is in operation. Once active it destroys tables on the hard disc
Fu Man Chu	Produces messages on the screen when certain procedures are carried out
Italian	A ping-pong ball bounces across the screen
Jerusalem	Extra text appears on the screen, particularly on April 1
Joshi	When the computer is switched on on January 5, the user has to type 'Happy Birthday Joshi' before they can proceed
New Zealand	Unwanted messages such as 'Your PC is stoned' appear on the screen
Vienna	Damages specific files

Source: PC Security / Sophos

US rethinks its research policy

Louise Kehoe

The "information super-highway" is an idea that's time has finally come. The long-debated proposal to build a high-speed, high-capacity data communications network spanning the United States is now close to becoming a reality.

The National Research and Education Network (NREN), which will form the backbone of a system linking computers in universities, government laboratories, businesses and perhaps eventually homes, has won the support of the Bush administration.

Supporters of the project, including Senator Albert Gore, who first proposed the concept of a high-speed national data communications network more than 10 years ago, claim that it will boost US industrial competitiveness, much as the building of the interstate highway system in the 1950s bolstered the US economy by providing high-speed transportation routes.

The inclusion of funds in President Bush's 1992 US Federal budget proposal to pay for the initial phases of building the network is seen as a breakthrough by those in the US electronics industry seeking government funding for critical commercial technologies.

In contrast to European and Japanese policies, the Bush administration has maintained staunch opposition to government "intervention" in commercial research and development. High-definition television (HDTV) initiatives proposed by the US electronics industry were, for example, dubbed "industrial policy" and summarily rejected.

The high-performance computing and communications programme (HPCC), of which NREN is a key part, has fared much better. It includes funding for research on parallel supercomputers, software development and education and training of programmers.

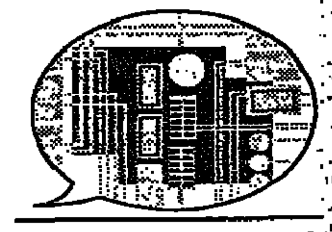
Whereas the HDTV initiative served as a lightening rod for debate over industrial policy, the HPCC has been deemed "generic, pre-competitive technology" appropriate for the US government to fund.

Research in technologies related to HDTV, which have potential applications far beyond the television set – in defence, medical and data processing systems – might also be called generic and pre-competitive, but they were not always presented as such. "We have learned a lot from the HDTV experience. We are more seasoned [lobbyists]. This time we did a better job," says Denise Michel of the American Electronics Association, a major trade group that has played a central role in both initiatives.

There are also signs, however, that the Bush administration is now more receptive to industry-government collaboration. "We have made significant progress on high-definition systems research," says Michel, using the new name for the technology that distances it from the most obvious application.

The Defence Advanced Research Projects Agency has substantially increased its funding of HDTV-related research, she notes. The Commerce Department's National Institute of Science and Technology is also close to a decision on funding for industrial research that is expected to include technologies critical to HDTV.

Also forcing the US administration to rethink its policies toward high-technology research is the critical role of high technology in the Gulf war. US electronics industry executives who have long argued that industrial competitiveness and national security are inexorably linked are encouraged by the administration's support for HPCC. Funding for the "information super-highway" could presage a truckload of federal support for research projects that will benefit both commercial and military goals, they predict.



TECHNICALLY SPEAKING

FT LAW REPORTS

Insurance boycott is suspended

RE INSTITUTE OF INDEPENDENT INSURANCE BROKERS
Restrictive Practices Court
(Mr Justice Warner, Mr B M Currie and Mr L Britz):
- February 5 1991

THE BOYCOTT of an insurance company by brokers on the recommendation of their "services supply association", is deemed to be an agreement to restrict trade and may be suspended by the court pending final order on a reference by the Director General of Fair Trading, if there is no reasonable prospect that the brokers will be able to counteract the director's strong *prima facie* case that the boycott restricts or discourages competition and would cause material detriment to the insurance company, and that it is not reasonably necessary to protect the public, to counteract measures to restrict competition, or to enable association members to negotiate fair terms in the market.

The Restrictive Practices Court so held when granting an application by the Director General of Fair Trading for an interim order restraining the members of the Institute of Independent Insurance Brokers (IIB) from boycotting General Accident Fire and Life Assurance Corporation pending final order on a reference under the Restrictive Trade Practices Act 1976. The respondents to the application were the IIB and two of its members and directors, Mr Burnell and Mr Pridmore.

MR JUSTICE WARNER said that between June 5 and October 1 1990 Ford Motor Company and General Accident operated a scheme under which each purchaser of a new Ford Fiesta, Escort or Orion was provided with free motor insurance for one year.

The scheme had been arranged through insurance brokers, the Willis Group. It aroused much hostility among insurance brokers and intermediaries. On October 1 1990 the IIB wrote to General Accident threatening trade sanctions unless it undertook not to enter into any similar scheme in 1991.

On November 9 the IIB handed documents to the Office of Fair Trading for registration under the Restrictive Trade Practices Act 1976, including a board resolution that if insurers engaged in practices "likely to de-stabilise the UK insurance market" it would recommend a boycott.

At a meeting organised by IIB attended by 500 insurance brokers and intermediaries, strong support was expressed for a boycott of General Accident unless it undertook not to underwrite further schemes for motor manufacturers.

On December 4 the IIB wrote to about 12,000 insurance brokers and intermediaries recommending they should cease placing business with General Accident from January 1 1991, and make every effort to re-broke existing business. The boycott was to last for initially for six months, and would be reviewed.

On December 6 the IIB notified the Office of Fair Trading of the terms of its letter of December 4.

On December 17 notice of reference was issued in respect of the registered agreement. On the same day the director made the present application for an interim order.

Section 3(3) of the Act provided that the court might make an interim order if satisfied that three conditions were fulfilled.

Under section 3(3)(a), the first condition was that the restrictions were such as were mentioned in section 1(3), ie were restrictions by virtue of which the Act applied to the registered agreement.

Where specific recommendations were made by a service supply association to its members as to action to be taken by them in relation to designated services, including insurance services, the Act had effect as if each member had agreed to comply with the recommendations (see sections 16(3) and (4), 11 (1)(b); also SI 1976 No 98). The IIB was a "services supply association" as defined by section 16.

It followed that there was a deemed agreement to which the Act applied.

Under section 3(3)(b), the second condition was that the restriction "could not reasonably be expected to be shown to fall within any of paragraphs (a) to (h) of section 19(1)". In other words that it could not reasonably be expected to pass through any of the "gateways" in that subsection.

The IIB relied on the four gateways in paragraphs (a), (c), (d) and (h) of section 19(1).

Gateway (a) was that the restriction was "reasonably necessary" to protect the public against injury in connection with the use of the services or of goods in relation to which those services were supplied.

There was no reasonable prospect of the IIB being able to persuade the court that the boycott could be justified on that ground.

Gateway (c) was that the restriction was "reasonably necessary" to counteract measures taken by a non-party to the agreement, with a view to preventing or restricting competition.

The court was told that in the UK there were 347 insurance companies authorised to do motor business, with 82 per cent of the market between them, the other 18 per cent being represented by Lloyd's policies. General Accident's share of the market was less than 10 per cent.

It could not reasonably be expected to be shown that measures by General Accident were taken with a view to preventing or restricting competition, though that might be an effect of direct selling.

The boycott could not reasonably be expected to be shown to pass through gateway (c).

Gateway (d) was that the restriction was "reasonably necessary" to enable a party to the agreement to negotiate fair terms for obtaining services from anyone who controlled "a preponderant part of the trade or business"; or for the supply of services to a person not party to the agreement and not carrying on such a trade who alone or "in combination controls a preponderant part of the market for such services".

On the facts about General Accident's share of the UK motor insurance market, it could not possibly be held that General Accident controlled a "preponderant" part of the business in that market, particularly as the IIB itself had demonstrated, by instituting the boycott, that its members did not need to resort to General Accident's services.

Nor was there an element of combination. "Combination" in paragraph (d) connoted at least some degree of co-operation between the persons concerned, and there was no such suggestion in this case.

There could therefore be no reasonable expectation that the IIB would succeed under (d).

Gateway (h) was that the restriction did not directly or indirectly restrict or discourage competition to any material degree in any relevant trade or industry and was not likely to do so".

The boycott did directly restrict or discourage competition to a material degree, in that it sought to exclude a major insurance company from doing business through brokers and intermediaries; and it indirectly discouraged competition to a material degree in that it must, as it was intended to do, discourage insurance companies from adopting a particular form of competition, namely the offer of insurance cover through schemes of the kind arranged by General Accident and Ford.

The court was satisfied that the second condition, under section 3(3)(b), was fulfilled.

The third condition, under section 3(3)(c), was that operation of the restriction during the period likely to elapse before a final order could be made under section 2(2) was likely to cause material detriment to the public or section of the public, or to a particular person not party to the agreement.

The court was satisfied that operation of the boycott during the six months would cause material detriment to General Accident.

Under section 3(3), if the court was satisfied that the three conditions were fulfilled, it "may if it thinks fit make an interim order". It had a discretion.

So far as the director sought an order against the IIB itself it was right in all the circumstances to make the order.

Mr Burnell and Mr Pridmore had been joined as respondents on their own behalf and as representing all IIB members. The court had power to grant an injunction including an *ex parte* injunction against the represented members. The terms of the order were designed to ensure that it was brought by the director to the attention of each of the represented members.

An order was made restraining the respondents from (i) giving effect to or enforcing the restrictive agreement; and (ii) making any other agreement to which the Act applied to the like effect. There were no special circumstances to cause the court to require the director to give a cross-undertaking in damages. He had a strong *prima facie* case.

For the IIB: Alexander Layton (Bevan Ashford, Exeter).

For the Director General: Stephen P Richards (Treasury Solicitor).

Rachel Davies
Barrister

Jewellery recession poses threat to gold market

By Kenneth Gooding, Mining Correspondent

INCREASING CONCERN is being voiced by analysts about the possible impact of the spreading recession on demand for gold jewellery, which accounts for about 60 per cent of gold consumption.

For the past two years jewellery makers have absorbed nearly all the western world's newly-mined gold. "I dread to think what a full-blown recession is likely to do to this demand", says Mr Robert Weinberg, head of the mining team at the James Capel financial services group.

He points out that, at the latest Financial Times gold conference, Mr Vittorio Gori, managing director of Gori & Zucchi, one of the largest gold jewellery manufacturing businesses in the world, demonstrated the high degree of correlation between jewellery sales and gross domestic product.

"Sadly, he also estimated that the pipeline from the bullion market to the jewellery buyer contained about 2,500 tonnes of gold," says Mr Weinberg. "That is an awful lot of destocking potential."

Mr Andy Smith, precious metals analyst at the Union Bank of Switzerland, also points out that, while the price of gold is likely to remain relatively low, real income growth – and spending on all discretionary items in most markets – will slow this year. "Data for the 1980s suggest that low prices can sustain demand as income growth slows, but not for too long."

Mr Smith says that throughout the 1980s "jewellery demand was the sponge which soaked up the flood of gold from new mines." He estimates that, excluding gold scrap, jewellery producers boosted their offtake of the precious metal from 284 tonnes in 1980 to probably more than 1,500 tonnes last year.

He says the jewellers were helped by low gold prices – there was a real fall of more than 60 per cent in US dollars in the ten years – "nevertheless, jewellery promoters can feel justly proud of doing their bit to dig the industry out of its late 1970s slump. It was not until 1988 that the offtake of gold by the jewellery industry exceeded mid-1970s levels."

Recent signs are ominous, however. Growth in gold jewellery fabrication stopped last year. Exports from Italy, the world's biggest gold jewellery producer, may have fallen by 10 per cent. The US market, which accounts for about a third of Italian exports, is in bad shape and sales to the Gulf area, about 20 per cent of exports, are probably down.

Japanese gold jewellery consumption last year was better than expected but down from 130 tonnes in 1989 to 118 tonnes.

Mr Smith suggests that "if gold prices remain low and if consumer confidence revives quickly after the war, jewellery demand will avoid a collapse this year. But if the Anglo-Saxon recession spreads, *demand may fall sharply.* Cheapness loses its attraction when belts are being tightened."

James Capel's Mr Weinberg suggests: "This is the very time that the mining industry should be re-doubling its efforts to promote gold jewellery."

Brazil scraps beef import tariff

By Victoria Griffith in Sao Paulo

TENSIONS BETWEEN the Collor administration and Brazil's agricultural sector mounted over the weekend with the government's elimination of tariffs on beef imports. Brazil expects to clinch deals to import at least 100,000 tonnes of beef over the next few days from the European Economic Community.

The measure was adopted in an effort to fend off beef shortages, which have appeared in the market since the announcement of the administration's new economic plan two weeks ago.

Producers and packers are complaining bitterly about the price freezes of the new plan, which they say force them to sell at a loss.

Mr Sergio Barroso, vice president of the Brazilian Association of Vegetable Oils (Abiove), alleges that soyabean oil prices are 15 per cent below their correct level.

Coffee producers claim that price ceilings are up to 25 per cent too low. Even threats of imprisonment for hoarding have not prevented shortages in Brazil's supermarkets, particularly of meat and soyabean oil. Much of the beef on display bears a suspicious grey colour, and many of the major soya oil brands have disappeared from the shelves.

The agricultural sector faces particularly large losses as it attempts to cope with a 46 per cent increase in petrol prices and a 60 per cent rise in electricity costs authorised by the new plan. Many fertilisers and insecticides are derived from petroleum.

THE BRAZILIAN Rural Society said yesterday that it would take the Collor administration to court over the plan to import beef from the European Economic Community. According to Mr Pedro Camargo Neto, the society's president, the move violates a provision of the country's new agricultural legislation that specifically forbids the importing of farm products without countervailing duties. Mr Camargo has been fighting for blocks on the importation of European beef for months, and said he believed he had won the battle with the formulation of the agricultural law. "This is something we worked hard for."

Not all farmers and packers will be able to withhold produce from the market in hope of a future price rise. "The *agricultural sector is heavily* undercapitalised", said Mr Pedro de Camargo Neto, president of the Brazilian Rural Society. "Farmers have to sell in order to get money to plant their next crop".

The new difficulties are unlikely to affect the size of this year's harvest, especially of products like soyabeans, which mature in March. Lower profits could, however, reduce next year's harvest as farmers find themselves with less money to finance planting. The lower prices could also boost Brazilian exports over the next few months, as producers turn to the more profitable market abroad.

Soyabeans are still exempt from pricing regulations as growers have not yet begun harvesting. But Abiove's Mr Barroso fears that, with domestic buyers unable to make competitive offers, soyabeans could soon become scarce on the local market.

The Collor administration has already admitted that the new pricing levels may be too low on certain products. While the sector awaits a possible revision, commodities trading is slow.

Brazil's agricultural sector is especially bitter about the new pricing regulations as they follow so closely the drafting of a new agricultural bill. The bill, which included indirect tariff subsidies and minimum prices for such basic food products as *rice and kidney beans,* represented a hard-won victory for the ailing sector. "The new pricing laws have undone all the support the agricultural law was designed to give the sector", said Mr Camargo. "What is the good of setting minimum prices if producers are forced to sell at a loss on the market?"

Lambs to the slaughter in New Zealand

A severe drop in income from sheep is likely to force many farmers out of business

FARMER'S VIEWPOINT

By David Richardson

IF THE value of wool sold from UK sheep farms were to halve the loss of income would be serious but probably not instantly disastrous, because wool represents only about ten per cent of total returns from sheep. Such a dramatic drop in ex-farm value is in any case unlikely in the UK in the short term because of the current guaranteed price, although this is in process of being phased out.

In New Zealand, through which I have been travelling in the last few days the situation is much more serious. Here, wool traditionally provides half the returns from sheep farming, so when its value falls by half or even more, as seems likely following Australia's suspension of the minimum price last week, the implication for sheep farmers is a cut in gross income of at least 25 per cent.

Concurrently with "pulling the plug" on the wool price the Australian government announced an aid package for its producers of A$800m. But New Zealand, in accordance with the policy adopted in 1984 of removing farm subsidies and all barriers to free trade, is unlikely to follow suit.

The producer-financed New Zealand Wool Board says it will press the Wellington government for parallel aid for its members, but it was clear from a conversation that I had with its chief executive Mr Grant Sinclair that the Board is not optimistic. Mr John Falloon, the Minister of Agriculture, had previously told me that New Zealand had no alternative to trading on world markets at world prices. He was convinced that the majority of the country's farmers shared that view and did not want or expect a government bail-out.

Some New Zealand farmers certainly do not agree with him, especially those who run their sheep in the southern hills of the South Island. The summer is later and cooler there than further North and shearing is still continuing, whereas it has been completed almost everywhere else.

Southern farmers argue that, unlike their northerly colleagues, they had no chance to sell their wool at the previous guarantee price of *NZ$4.85* a kilogram but will now have to take whatever the market brings. They expect it to be around NZ$2.50 a kilogram, although even that is not certain and some pundits are predicting prices as low as NZ$1.50 a kilogram. A year ago they would have received more than NZ$5.00 a kilogram.

Historically the world price *for wool is set by Australia,* the dominant producer, and in recent years it has been held artificially high. The Australian Wool Board has bought vast quantities at its own auctions and stockpiled it in order to reduce tonnages on the world market and try to force up prices. For a few years they were successful and Australian farmers in fact increased wool production by 50 per cent over five years in response to what they perceived as increasing demand particularly from China and the Soviet Union.

Then, after the troops went in to Peking's Tiananmen Square, China simply stopped buying. The Soviet economy declined as unrest in the Baltic republics increased and it too curtailed its wool purchases. World trade in wool slowed down until the Gulf war proved the final straw.

Mr John Kerrin, the Australian Trade Minister, was, until only a few weeks ago, assuring wool producers and buyers that the wool price would be held. *But with a full year's supply* in store and fewer and fewer genuine sales at auction his government finally bowed to the inevitable and, as one New Zealand farmer put it the other day, "dropped the rest of the world's wool producers right in it".

The New Zealand Wool Board, which had until then been making up *the difference between the* declining market price and the guaranteed price from its own resources, could no longer sustain such payment to farmers and was forced to withdraw from the market, leaving wool producers to bear the cut in income unaided. As the board reluctantly conceded last week, seasonal differences in shearing patterns mean that some growers will be affected more than others this season.

There is little doubt that the severe drop in income from sheep will force significant numbers of New Zealand farmers out of business. The abrupt removal of virtually all subsidies in 1984, followed by severe drought in many areas in two of the subsequent years, put the viability of many farmers under pressure even before this latest crisis. High bank interest rates, which peaked at well over 20 per cent against an industry debt of NZ$8bn, have eroded profits and although interest rates have now begun to fall the wool *price collapse* will, in the words of Owen Jennings, the president of Federated Farmers (the New Zealand equivalent of Britain's National Farmers' Union), "push some of them over the edge".

But although there are many unhappy farmers in New Zealand today there are even more, it seems to me having visited them, who are incredibly resilient and determined to take this latest setback in their stride.

Invariably the optimists have small debt burdens and seem in the main to be reconciled to the inevitability of such swings in their fortunes. And they remain secure in the knowledge that their climate probably makes them the most efficient producers of commodities like lamb and wool in the world. *They believe that supply* and demand are cyclical and that when the cycle turns they will benefit more than ever from their ever-increasing efficiency.

The variable cost of producing a 14 kg deadweight lamb, they told me, was between NZ$12 and NZ$15. The fact that they were still receiving NZ$25 meant that there was still a margin, provided costs were strictly controlled. They had not of course allowed anything in their calculations for the value of their land. A similar lamb in the UK, incidentally, would be worth four times as much and when all costs were considered still leave little or no profit.

Predictably New Zealand farmers blame the EC and its failure so far to make concessions in negotiations on the General Agreement on Tariffs and Trade for most of their present problems apart from wool. Unlike the US, however, they do not appear to expect the almost total abolition of subsidies for European farm commodities. If the EC would only agree to limit its production to domestic community consumption and stop subsidising exports to third countries that would be regarded as real progress in New Zealand.

Meanwhile the resilience and tenacity of New Zealand's farmers may not be enough to save them in the fact of world market forces and other countries' protectionism. *Sheep* numbers, for instance, which stood at almost 70m head in 1984, were estimated to have fallen to 58m by 1990. Undoubtedly the national flock will decline again as a result of the wool crisis.

Thistles have begun to thrive on many sheep pastures since the subsidy on chemical sprays was abolished six years ago and sales of fertilisers have fallen from 2.5m tonnes in 1980 to 1.5m tonnes in 1990.

In short New Zealand's agriculture, which traditionally earns about 80 per cent of its export income, is *running* down. Farmers know it only too well and see a relaxation of international trading barriers as their only hope of salvation.

On every farm I have visited I have had a lecture on the *injustices of the EC's common* agricultural policy, even when the commodity produced, such as deer, angora, goat fibre or honey enjoys no protection whatever within the community.

As my antipodean journey continues my sympathy for the plight of my hosts increases. But my strong sense of self-preservation prevents me from welcoming competition in a totally free market against farmers who claim to be able to produce lambs at $5 a head.

Exporters unhappy about planned stockpile sales

By Dai Hayward in Wellington

CONFLICT HAS arisen between New Zealand wool exporters and the Wool Board over the disposal of the country's 650,000-bale wool stockpile.

Exporters want the stockpile frozen until all wool offered at remaining sales this season is sold. The season ends in July.

The board has refused to do this, but it says it will not sell from the stockpile except when there is a demand for wool types not available at any particular sale.

The Exporters' Council is not happy with this assurance, however. It wants a complete ban.

Wool Board chief executive, Mr Grant Sinclair says: "We don't intend to compete with wool being offered for sale but we are not going to lock up our stocks. Some types of wool will not be available on the auction floor for another seven or eight months. If we, the board, do not supply that demand buyers will go to Australia.

"We are certainly not going to send customers to Australia or anywhere else".

Mr Sinclair stressed that the board would not sell the stockpile on to a depressed market but the wool exporters claimed that they could not get this assurance from the board in private discussions.

They said they were told that the Board would be trading as usual when auction sales resume next week but operating on a commercial basis.

The board suspended its supplementary price scheme to growers and withdrew as a buyer from auctions for the rest of the season. It could no longer afford to supplement growers' incomes.

The Board is looking at a loss of more than $NZ100m (£30m) this season, following a loss of $NZ73m last season.

Last year, the Board established credit lines of $NZ300m from the New Zealand financial market and $US192.5m from overseas.

Despite its heavy buying, which has forced it to borrow $NZ181m in the last six months, Dr Sinclair says the *board is not under financial* pressure to get rid of the stockpile.

In the past, the Wool Board has usually made a profit on wool sold from its stockpile.

The Wool Exporters' Council does not anticipate any "fire sales" when wool auctions resume next week. Growers may use their option to place a reserve price on their wool and withdraw it if this minimum is not reached. In the past, with the Board operating a floor price, growers have left the decision on establishing a minimum price to the board.

A question mark also hangs over the future role of the board in selling New Zealand wool. It is now reviewing its options but the wool exporters want a dramatic change in policy from the floor price and supplementary payments *scheme that the board has* operated for the last three years.

Exporters claim this maintained artificially-high prices.

● Mr Bob Hawke, the Australian Prime Minister, has angrily rejected a Japanese call for Australia to pay compensation for suspending its wool floor price, reports Reuters from Canberra.

The government suspended the A$7-a-kilogram (£2.80) floor price despite past assurances to wool buyers that the minimum price would not be altered.

Australia is the world's biggest producer of wool, accounting for about 70 per cent of the export market.

The Japanese Wool Importers' Association and the Japanese Wool Spinners' Association wrote jointly to the *Australian government,* saying there had been increased buying of Australian wool by their members as a result of the false assurances.

They claimed that they had lost money on wool they purchased from Australia at the higher price, some of which had not yet been delivered.

WORLD COMMODITIES PRICES

MARKET REPORT

Copper prices rose on the LME yesterday on demand for nearby metal. Dealers said borrowing (buying cash metal and selling forward) in the afternoon underpinned sentiment. Zinc ended a volatile session at the day's low after failing to breach overhead technical resistance. Robusta coffee moved ahead on some small-scale trade and speculative buying. "The market has done a little more and a little better than expected today. . . mainly because of an absence of major selling, rather than active buying," one trader said.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$12.75-2.85t	-0.25
Brent Blend (dated)	$17.90-8.00	-0.35
Brent Blend (April)	$16.80-6.90	-0.40
W.T.I. (1 pm est)	unq.	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$226-230	-4.5
Gas Oil	$248-250	+2.5
Heavy Fuel Oil	$73-75	-1
Naphtha	$208-211	-8.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$363.90	-0.55
Silver (per troy oz)♣	377.50c	-4.35
Platinum (per troy oz)	$368.35	-2.15
Palladium (per troy oz)	$86.00	-0.25
Aluminium (free market)	$1505	-5
Copper (US Producer)	115⅞c	+1⅛
Lead (US Producer)	35⅞c	+1⅞
Nickel (free market)	399c	-9
Tin (Kuala Lumpur market)	14.88r	+0.25
Tin (New York)	258c	
Zinc (US Prime Western)	62c	
Cattle (live weight)†	108.99p	-1.47*
Sheep (dead weight)†	143.94p	-12.7*
Pigs (live weight)†	86.55p	+0.45*
London daily sugar (raw)	$211.8w	
London daily sugar (white)	$293.0w	
Tate and Lyle export price	£214.5	+1.0
Barley (English feed)	Unq.	
Maize (US No. 3 yellow)	£168.5	
Wheat (US Dark Northern)	£94.5	
Rubber (Mar)♥	48.50p	+1.25
Rubber (Apr)♥	49.00p	+0.25
Rubber (KL RSS No 1 Mar)	229.5m	+0.50
Coconut oil (Philippines)§	$335w	+5
Palm Oil (Malaysian)§	$345x	
Copra (Philippines)§	$235t	+5
Soyabeans (US)	£137.5	+1.0
Cotton "A" index	86.15c	+0.80
Wooltops (64s Super)	365p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Mar/Apr. l-Apr. w-Feb/Mar. z-Jan/Feb. x-Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 23,270 lots	
Cash	1500-2	1507-9	1507/1504	1504-5		
3 months	1531-2	1538-9	1539/1529	1535-6	1528-30	52,160 lots
Copper, Grade A (£ per tonne)					Total daily turnover 25,854 lots	
Cash	1262-3	1240-2	1250/1246	1246-8		
3 months	1256-7	1245-6	1258/1243	1247-8	1257-8	107,386 lots
Lead (£ per tonne)					Total daily turnover 2,905 lots	
Cash	299-300	308-10	301/300	300.5-1		
3 months	311-2	318-8.5	318/309	311-2	309-10	11,475 lots
Nickel ($ per tonne)					Total daily turnover 2,071 lots	
Cash	8800-25	8840-70	8740/8725	8750-60		
3 months	8740-50	8750-70	8750/8705	8705-10	8720-5	8,113 lots
Tin ($ per tonne)					Total daily turnover 1,253 lots	
Cash	5595-605	5575-85	5580	5580-2		
3 months	5690-5	5670-80	5700/5680	5680-5	5690-710	6,689 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 7,582 lots	
Cash	1212-4	1216-8	1200/1193	1193-4		
3 months	1208-9	1211-2	1210/1196	1195-6	1196-7	18,002 lots

LME Closing £/$ rate: SPOT: 1.9610 | 3 months: 1.9311 | 6 months: 1.9051 | 9 months: 1.8856

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	186.00	185.00	185.00 184.60
May	187.80	187.60	187.00 186.20
Aug	193.80	192.60	193.60 192.60
Oct	193.60	191.80	193.00 192.80
Mar	193.80		192.00 190.20
May	196.00		195.60 192.40
White	**Close**	**Previous**	**High/Low**
May	288.0	288.5	288.0 287.0
Aug	290.5	291.4	288.5

Turnover: Raw 299 (2118) lots of 50 tonnes. White 386 (1625)
Paris- White (FFr per tonne): Mar 1465, May 1461, Aug 1463, Oct 1354.

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Apr	16.50	17.04	17.35 16.45
May	16.00	16.70	16.80 16.00
Jun	16.00	16.37	16.00 15.90
IPE Index	17.28	18.88	

Turnover 3569 (13149)

GAS OIL – IPE ($/tonne)

	Latest	Previous	High/Low
Mar	187.50	191.25	193.00 184.25
Apr	163.00	166.00	167.75 160.00
May	156.50	156.75	160.00 154.00
Jun	152.75	154.75	158.00 152.00
Jul	152.25	155.00	156.00 150.00
Aug	156.00	158.00	158.00 152.00
Sep	164.00	160.00	158.25 154.00
Oct	165.00	160.00	165.00

Turnover 5323 (9105) lots of 100 tonnes

TEA
This was a selective market, reports the Tea Brokers' Associtaion. The few Assams on offer were difficult of sale.Best and good medium Africans were quite well supported atfirm, sometimes dearer rates but others were 4 to 6p lowerwith dusts a weak feature. Plainest types were about steady.Ceylons followed a similar pattern and were several pencecealer except a few brighter lines.Offshore teas met good demand around last levels.The highest price realised this week was 163p for a Kenya pf.1. Quotations: quality no quotation, medium 108p per kilo, low medium 83p per kilo.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Mar	621	625	621 615
May	658	661	658 653
Jul	686	690	685 681
Sep	710	716	711 707
Dec	744	744	744 741
Mar	769	770	770 767

Turnover: 4629 (5743) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 15 867.26 (842.70) 10 day average for Feb 18 833.43 (828.37)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low
Mar	530	521	530 515
May	542	534	542 529
Jul	555	552	555 545
Sep	568	566	570 561
Nov	583	583	585 578
Jan	600	600	601 592

Turnover: 3870 (3180) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 15: Comp. daily 72.00 (72.20). 15 day average 68.53 (68.32)

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Jun	110.50	109.80	110.50
Aug	112.50	111.50	112.50

Turnover 30 (105)lots of 20 tonnes.

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
Mar	125.10	125.10	125.50 125.10
May	128.00	128.30	128.60 128.00
Jun	130.00	130.25	130.40 130.25
Sep	107.30	107.30	107.30
Barley	**Close**	**Previous**	**High/Low**
Mar	115.70	116.00	116.00 115.70
May	119.00	119.00	119.00 118.85

Turnover: Wheat 443 (303), Barley 122 (283).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Apr	112.0	111.0	111.0
Jun	112.0	110.5	111.5

Turnover: 22 (94) lots of 3,250 kg

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	127.0	125.4	127.1 125.5
May	148.0	146.5	

Turnover 89 (139) lots of 40 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Mar	1545	1555	1555 1545
Apr	1435	1446	1438 1435
Jul	1110	1110	1110
BFI	1613	1610	

Turnover 52 (282)

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	363.70-364.10	
Opening	364.10-364.50	
Morning fix	364.60	185.311
Afternoon fix	363.75	155.350
Day's high	364.90-365.30	
Day's low	363.60-364.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.29	6 months	5.09
2 months	5.25	12 months	5.03
3 months	5.19		

Silver fix	p/fine oz	US cts equiv
Spot	192.30	377.60
3 months	196.30	383.50
6 months	203.95	389.55
12 months	214.65	402.30

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	365.00-366.00	186.00-186.50
Maple leaf	376.80-377.00	191.60-192.10
New Sovereign	88.50-89.50	45.00-45.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1450	66	101	5	21
1550	11	45	49	63
1650	1	16	139	132
Copper (Grade A)	**Calls**		**Puts**	
2350	123	131	13	54
2450	56	79	46	100
2550	19	43	109	163
Coffee	**Mar**	**May**	**Mar**	**May**
450	30	46	0	4
500	1	15	21	21
550	0	3	70	23
Cocoa	**Mar**	**May**	**Mar**	**May**
600	70	110	0	2
650	20	66	0	10
700	0	36	30	26
Brent Crude	**Apr**	**May**	**Apr**	**May**
1900	20	25	250	
1950				
2000				

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 18	Feb 15	mnth ago	yr ago
1675.0	1671.0	1676.9	1609.9

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb 15	Feb 14	mnth ago	yr ago
Spot	123.88	122.74	122.41	130.22
Futures	128.37	128.21	125.78	132.20

Ambitious targets set for Nigerian oil expansion

The government wants to boost production capacity and raise the level of proven reserves, writes William Keeling

THE GAUGES at the pumping-station of Egbema in Nigeria's Rivers state rarely stop turning and the numbers they deal in are big. One gauge reads 7,050, and not in litres or gallons, but in barrels. At the back of the station a gas burner spewed a huge mass of flame, hot enough to toast a crumpet from 50 ft. Egbema is a flow-station, a junction box in Nigeria's oil-*industry,* which separates unwanted gas from crude-oil before pumping the latter to the Bonny export terminal, 100 km (62 miles) away.

The oil-industry in Nigeria is central to the national economy. Its export-receipts of more than $10bn last year accounted for more than 90 per cent of foreign exchange earnings. Nigeria is also becoming increasingly important to the world oil-market. Not only does it account for 8 per cent of Opec output but, despite a recent history of coups d'etat, it is politically stable, relative to the middle east producers.

After a period of decline which saw production capacity fall from 2.4m barrels a day in 1981 to 1.8m b/d in 1988, the government has set ambitious targets for the industry. It has requested the oil-companies to increase production capacity to 2.5m b/d by 1995 and to raise proven reserves from the current 17bn barrels to 20bn barrels in the same period. A good start has already been made. Production capacity is now 1.94m b/d and has increased by 90,000 b/d in the past six months.

Oil-companies operating the joint-ventures in Nigeria have all announced significant expenditure programmes. The Shell Petroleum Development Corporation of Nigeria has increased annual expenditure for 1991 by 30 per cent to $1.3bn and is planning to spend an average of $1.5bn a year from 1992 to 1996. Currently producing just over 1m b/d, Shell plans to increase production to 1.3m b/d by the second half of the decade. A second major development is the bringing on stream by Mobil Producing Nigeria of the Edop field, which has more than 800m barrels of reserves. At an investment cost of $600m, the Edop field could be producing up to 180,000 by 1994 and Mobil is aiming to increase its capacity from 160,000 b/d to over 400,000 b/d by 1994.

There are seven big foreign oil-producing companies currently operating in Nigeria but more are expected to enter the industry soon. BP, the UK oil-producer, has bid for a deep offshore plot and, if successful, will be returning to Nigeria after a gap of more than ten years. In 1979 the company had its assets seized, notably a 20 per cent stake in Nigeria's largest joint-venture, following allegations that its oil was being shipped indirectly to South Africa. Industry officials report that Exxon, Unioil and Conoco of the US are also considering Nigerian operations, although firm bids for the deep offshore plots, the first to be offered in Nigeria, have been fewer than anticipated after widespread initial interest.

US markets were closed yesterday for George Washington's birthday

Despite its potential, there are a number of factors that may limit the sector's planned growth. Foremost is the ability of the state-owned Nigerian National Petroleum Corporation to fund its share of the expansion programme. By law the corporation has a 60 per cent share in all joint-venture partnerships. With the cost of discoveries at up to $2 a barrel, oil-company executives estimate that to keep oil-discoveries in line with government targets will cost the NNPC in excess of $1bn over each of the next five years.

Project financiers are also finding the investment climate soured by Nigeria's international debt, now standing at $35bn. In January, a spanner was thrown at the works of the potentially viable $1bn Oso condensate project, the backers of which include the World Bank, the International Finance Corporation and the export-import banks of the US and Japan. Under existing agreements with the London Club group of commercial banks, to which Nigeria owes $5.8bn, the government must seek the club's permission before raising security against any new loans such as those arranged for the oso-project. Although not directly connected with the project's financing, the club has made clear its intention to refuse permission.

Officials close to the project, which would entail condensate production of 100,000 b/d from the 450m barrel Oso field, insist that it will go ahead, even if the finance package has to be rearranged. Industry officials report that the project – owned 40 per cent by Mobil Producing Nigeria, 60 per cent by the NNPC and scheduled to begin production in 1993 – has a pay-back period of just three years. That the finance for such a project should be in doubt at such a late stage is indicative of the substantial problems faced by *those operating in the* Nigerian oil industry.

Oil company officials are expressing increasing anxiety at the government's reluctance to revise the 1986 memorandum of understanding, which details a realisable price for oil, incentives for exploration and development and a minimum profit of $2 per barrel for the operator. An agreed programme of work expired at the end of last year and current work is being undertaken in the belief that a new memorandum with updated incentives will be put in place. The lack of a revised memorandum is, however, partly the fault of the companies, which are nervous as the government to sign an agreement, whilst the price of oil is subject to wild fluctuations.

Having publicly announced the programme of expansion, both the oil-companies and the government appear nervous about their decisions and wary as to how responsibility should be shared. The Gulf crisis may have created an unstable oil price but it has also opened a window of opportunity for Nigeria making it even more important that the programme of expansion is kept on track. The two sides will have to take concrete decisions soon if they wish to avoid being left on the fence of lost opportunity.

LONDON STOCK EXCHANGE

European investors return to London

DEMAND FOR UK stocks from Continental fund managers provided the spur yesterday to drive the London market to close convincingly above the FT-SE 2,300 mark for the first time since August 2 last year. Although below its best at the close, the market was 21.4 ahead at 2,318.3 on good trading volume. Share prices responded both to the strength of equities in Tokyo and New York and also to continuing indications in London money markets that UK base rates could fall again soon – even before Budget Day, according to some analysts.

Trading on the stock market was not affected by bomb explosions at some London railway stations although further bomb scares during the session strained nerves in many dealing rooms. Equities opened 10 points higher on the Footsie scale, a gain regarded as relatively modest in view of Wall Street's weekend rise of 57 Dow points and yesterday's 886 points or 3.4 per cent rise in Tokyo. It was soon clear that Continental European investors, led by Dutch funds, were looking for stock again in London and, with European bourses also in strong form, London extended its gain to nearly 30 Footsie points for a day's peak of 2,326.4.

Account Dealing Dates		
*First Dealings:		
Feb 11	Feb 25	Mar 11
Option Declarations:		
Feb 21	Mar 7	Mar 27
Last Dealings:		
Feb 22	Mar 8	Mar 28
Account Day:		
Mar 4	Mar 18	Apr 8

*New-time dealings may take place from 8.30 am two business days earlier.

Hopes of another cut in UK interest rates were encouraged by the news of a 1.4 per cent fall in domestic retail sales last month; equity analysts believe that this fresh sign of deepening recession in the UK will strengthen pressures for base rate cuts. Sterling's relative steadiness since the recent cut in base rates has encouraged the optimists to look for another reduction, perhaps even before Budget Day now only a month away.

UK institutions were also active yesterday, putting new cash into the market and also switching out of some of the sectors which have led the market's advance and moving into other areas, such as properties and construction issues, which were been out of favour during the period of high interest rates.

With Wall Street closed for Washington's Birthday, the UK market began to cool off in mid-afternoon. Traders, who faced considerable travel disruption because of the earlier terrorist incidents in London, were inclined to leave early for home. The Footsie Index slipped back from its best level well before the close of business.

Turnover, as measured by the Seaq system, remained high by the standards of a month or so ago, although the day's total of 509m shares compared with 571.5m on Friday. Data from the International Stock Exchange (ISE) showed that customer or retail business in equities climbed last week to around £1bn daily, reaching £1.3bn on Thursday.

While the direction of the market was still clearly upwards, institutions were not always finding it easy to find the stocks they wanted. UK managers, in particular, who were among the first to support the market's advance, are now fearful of selling, and some have been told by their fund trustees "on no account" to lighten equity holdings, even briefly. One manager, offered a sell suggestion by his broker, replied: "Alright, but get the money straight back into the market."

Consequently, there was a nervous response to a handful of downgradings in major stocks and share prices rarely fell very far before finding buyers. Notably firm performances came from Glaxo and ICI, both of which had been under pressure ahead of their respective trading statements, due before the end of this month.

FINANCIAL TIMES STOCK INDICES

	Feb 18	Feb 15	Feb 14	Feb 13	Feb 12	Year Ago	1990/91 High	1990/91 Low	Since Compilation High	Since Compilation Low
Government Secs	85.72	85.65	85.74	85.29	85.03	79.89	85.74 (14/2/91)	74.13 (30/4/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.22	93.95	93.92	93.26	93.16	90.84	94.22 (18/2/91)	83.80 (30/4/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1842.6	1824.5	1817.5	1791.7	1781.1	1813.5	1968.3 (3/1/90)	1510.4 (24/9/90)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	134.5	134.5	136.1	136.1	135.1	302.6	378.5 (6/2/90)	129.2 (6/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2318.3	2296.9	2294.4	2267.8	2264.5	2297.1	2463.7 (3/1/90)	1990.2 (28/9/90)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	1047.02	1024.86	1013.02	1007.10	997.57	-	1047.02 (18/2/91)	900.45 (14/1/91)	1047.02 (18/2/91)	900.45 (14/1/91)
Ord. Div. Yield	5.20	5.25	5.27	5.35	5.38	4.77				
Earning Yld %(full)	10.84	10.94	10.97	11.15	11.20	11.60				
P/E Ratio(Net)(☆)	11.16	11.05	11.02	10.84	10.79	10.44				
SEAQ Bargns 4.45pm	33,783	37,105	34,226	31,073	35,567	30,830				
Equity Turnover(£m)†	-	1641.36	1319.87	924.05	1090.71	614.72				
Equity Bargains†	-	37,962	35,302	30,458	35,925	25,712				
Shares Traded (ml)†	-	587.8	606.8	450.0	499.0	306.9				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 26/10/90. ☆ Nil 10.87

Ordinary Share Index, Hourly changes Day's High 1850.1 Day's Low 1825.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1832.3	1832.3	1839.3	1846.2	1848.3	1847.1	1846.9	1843.4	1842.5

FT-SE 100, Hourly changes Day's High 2326.4 Day's Low 2301.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2307.0	2306.9	2315.1	2322.6	2325.3	2322.4	2321.4	2317.4	2318.9

FT-SE Eurotrack 100, hourly changes Day's High 1048.92 Day's Low 1033.95

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1033.99	1034.80	1042.51	1046.58	1047.95	1046.55	1047.37

GILT EDGED ACTIVITY

Indices*	Feb 15	Feb 14
Gilt Edged Bargains	99.3	103.0
5—Day average	100.0	94.0

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Pricing doubt hits Gas

ONE OF the few high-ranking casualties in an otherwise buoyant equity market was British Gas, which came under pressure during the session to close a net 2 cheaper at 237½p, after touching a day's low point of 233½p. Turnover reached 10m, higher than normal levels in the stock.

British Gas was unsettled for two reasons: adverse comment in the weekend press but, more importantly, selling triggered by short-term caution on the stock by stockbroker Strauss Turnbull.

Strauss is about to issue a 60-page document on the company, indicating that while the shares have long-term potential, they are vulnerable to short-term profit-taking. Strauss said Ofgas, the regulatory body for the gas industry, is investigating Gas's domestic tariffs and might revise its gas pricing formula.

Any move by Ofgas, Strauss said, would hit Gas earnings and dividend potential. Forecasts of dividend increases, formerly at 13 per cent compound, would be pulled back to around 10 per cent.

Amber Day move

Trading in Amber Day shares increased substantially to 32m on speculation that the Weisfeld family stake had been placed. The family acquired a 15.9 per cent interest as part payment for its What Everyone Wants (WEW) discount chain, bought last year by Amber Day for £46.7m. A statement from Amber Day on the sale is expected this morning. The shares gained 1½ to 73p.

Stores specialists believe that the Weisfeld family has sold more than 15m shares to Smith New Court, which in turn placed them with institutions for 68p. Smith had no immediate comment. Amber Day has risen by almost 20 per cent over the past fortnight.

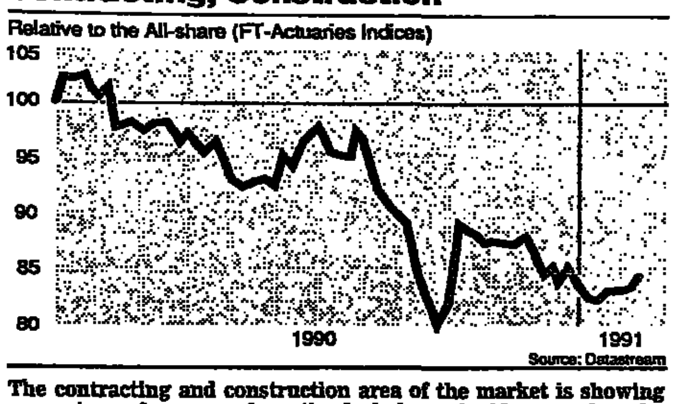
BET active

BET, the diversified services group, put in one of the better performances among FT-SE 100 constituents as the market considered board changes and the possible sale of a division.

Sir Timothy Bevan is to be replaced in May as chairman by Mr Nicholas Wills, BET's managing director since 1982 and chief executive since 1985.

Contracting, Construction

Relative to the All-share (FT-Actuaries Indices)



Source: Datastream

The contracting and construction area of the market is showing some signs of recovery from the dark days of mid-1990, when the sector was friendless as UK interest rates remained at record levels and the economy moved into recession. The slight improvement in sentiment towards the sector has followed last week's cut of half a percentage point in interest rates, and hopes that further steps would be taken to stimulate house sales in advance of the next general election.

The company is in "serious" talks about selling all or part of its waste management subsidiary, Biffa, or possibly including it in a joint venture.

These moves come after a review, started last summer, designed to make yearly savings of about £20m. The shares climbed 7 to close at the day's high of 129p. Turnover was a solid 3.9m.

Internationals rose with the market in spite of the absence of buyers from Wall Street, which was closed for the Washington's Birthday holiday. ICI outperformed with a rise of 19 to 1019p, after 1024p, on steady turnover of 965,000. The company publishes interim figures on February 28.

BOC recovered well from weakness that followed last week's disappointing figures. The shares climbed 16 to close just short of the day's peak at 565p. Glaxo reached yet anther new high of 964p, having touched 973p, with a respectable 1.2m changing hands.

Rothmans International continued to benefit from Friday's recommendation from S.G. Warburg in the wake of results from a Canadian subsidiary. Ever-volatile Rothmans peaked at 805p before closing a net 25 to the good at 795p. Dunhill Holdings, also in the luxury goods business, added 20 at 365p in sympathy. BAT Industries, which with Rothmans makes up the tobacco sector of the market, was 16 better at one point before closing 12 ahead at 675p.

Big gains in the equity market helped sustain many of the oil shares. BP, buffeted by downgrades and warnings of the group recording its first ever quarterly loss during the current period, nevertheless managed a 5½ gain at 312p with turnover reaching 9m shares. Shell, due to announce fourth quarter numbers on Wednesday, moved up 7 to 464p on 1.8m.

Burmah, in spite of further support, settled a shade easier at 564p, but Calor, often mentioned as a Burmah/SHV merger target, edged up 4 to 229p.

There was plenty of interest in Ultramar, where a profits downgrade by one of the big integrated houses was offset by persistent demand from most other broking firms, leaving the stock 3 better at 321p.

Crossroads Oil, one of the minnows in the sector, advanced 7 to 37p on hints that the group was about to announce a big joint venture deal.

A County NatWest recommendation drove the merchant banks sharply higher. County's banks team said the sector price and yield relatives are close to historic support levels and poor 1990 results are largely discounted in share prices. County's preferred stocks are Hambros, 7 higher at 253p, and S.G. Warburg, which advanced 13 to 390p.

W.H. Smith remained under pressure after Hoare Govett recommended selling the shares. Hoare noted that £30m out of its £80m current year profits forecast is accounted for by a release of the pension surplus, leaving Smith "open to wide fluctuations in profitability". Excluding this non-cash element of earnings, "it could justifiably be argued that the shares are standing on double the market p/e – a very worrying scenario". The shares closed 11 lower at 332p.

Hotel groups were briefly rattled by the explosions in London railway stations – the fear was that tourism and business travel would suffer – but quickly recovered their composure in the market's bullish mood. Ladbroke, unchanged in early trading, ended 10 better at 267p, while Trusthouse Forte shed 3 before recovering to 259p for a net increase of 5.

Tyne-Tees Television gained ground on renewed talk that Vaux, the beer-to-nursing homes group, would sell its 19 per cent stake to a predator. Tyne-Tees climbed 15 to 289p, while Vaux improved 2 to 218p.

Greenall Whitley added 10 at 325p after County NatWest WoodMac put the stock back on its buy list. Mr Geof Collyer said the market had taken an unduly bearish view on the effect that the Gulf war, which has inhibited travel and tourism, would have on its hotel interests. The company was not over-exposed to foreign or business visitors, has no hotels in London, "and is at a large discount to comparable hotel stocks".

Guinness slipped 5 to 801p after negative press comment on LVMH, the French luxury goods group in which it has a 24 per cent crossholding.

Building issues continued to make rapid progress, boosted by the prospect of further interest rate cuts in the UK and the possibility that an end to the Gulf war would lead to the Kuwaitis turning to UK contruction groups to help rebuild the country's infrastructure.

Heavily supported at the end of last week, the sector showed further big gains for such as Taylor Woodrow, up 10 at 275p, and Costain, another 7 firmer at 195p. Both were bought by domestic and overseas funds on the basis that they would be among the prime candidates to benefit from Gulf orders. Mr Anthony Williams, building analyst at Morgan Stanley, highlighted both stocks as his favourites to benefit from rebuilding moves. Others thought likely to gain orders included John Mowlem, 10 higher at 305p, and George Wimpey, which climbed the same amount to 190p.

CRH advanced 13 to 239p after being given a push by BZW. The broker issued a buy note and said the shares were trading at a 5 per cent discount to others in the sector. BZW also noted the group's strong balance sheet and spread of interests.

Alfred McAlpine, on the other hand, eased 2 to 238p ahead of the preliminary figures expected tomorrow. Turriff shares retreated 29 to 95p after news of the losses and the dividend omission.

Hammerson led the property sector higher on weekend press comment and analysts' suggestions that the stock was a chart buy. The shares climbed 16 to 651p, although turnover was thin, as usual for the stock, at 95,000 shares. Other sector leaders to gain ground included Rosehaugh, 5 better at 76p on 794,000.

Property second liners continued to attract selective buying from institutions. Generally low trading volumes translated into good gains, considering the level of business done. Frogmore Estates climbed 10 to 319p and Speyhawk added 3 at 82p.

Slough Estates rose 9 to 253p in good volume of 985,000, including a string of unusually large trades. The normal market size is 5,000 shares.

Traders explained Merivale Moore's advance of 15 to 223p by saying that investors considered that the bottom of the bear market in central London residential property, to which the company is exposed, had been reached.

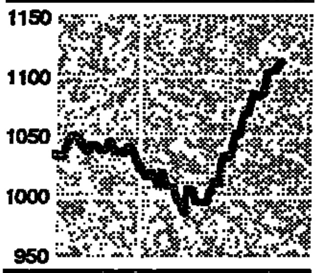
River Plate and General Investment Trust said it was considering making an offer for Ambrose Investment Trust, which jumped 30 to 600p.

A profits warning from Henry Barrett triggered a sharp reversal in the share price, which settled 11 off at 81p, after 77p.

Telecomputing shares were suspended at 11p at the company's request pending details of a possible merger.

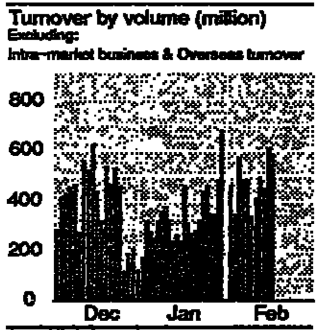
■ Other Market statistics, including the FT-Actuaries share index, Page 24

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	1,100	108	+2	Courtaulds	1,100	308	+6	MEPC	512	542	+3	Smith (W.H.) A	2,700	332	-11
ASDA Group	1,700	128		Dalgety	518	381	+3	Manpower	640	68½	-½	Smith & Nephew	4,600	102½	-1½
Abbey National	2,600	234		Dixons	2,100	185	+2	Manweb	349	210	-1	SmKl Beecham	2,200	678	+1
Albert Fisher	2,100	122	+3	ECC Group	752	394	-2	Marks & Spencer	5,700	238	+3	SmKl Beecham Uts.	161	2953	+10
Allied-Lyons	4,200	503	+7	Eastern Elect.	2,300	176	+½	Maxwell Comms	122	151	+2	Smiths Inds.	228	251	+2
Amstrad	1,500	68½	+½	East Midland Elect.	1,600	194	+2	Midland Bank	2,400	180	+7	Southern Elect.	3,200	182	+4
Anglian Water	506	304		Enterprise Oil	718	534	-1	Midlands Elect.	2,000	184½	+1½	South Wales Elect.	347	207	+1
Argos	410	283		Eurotunnel Units	530	483	+1	NatWest Bank	1,900	300	+4	South West Water	190	313	+1
Argyll Group	554	270	-1	FKI	981	48	+3	Next	2,800	25		South West. Elect.	483	187	
Ass. Brit Foods	81	490		Ferranti	2,000	9	-½	North West Water	1,700	308	+2	Southern Water	322	287	+2
BAA	1,400	378		Fisons	2,200	420	+4½	Northern Elect.	312	195	-2	Standard Chartd.	99	274	+1
BAT Inds.	1,700	875	+12	Gen. Accident	742	548	+15	Northern Foods	1,100	385	+4	Storehouse	35	111	
BET	3,900	129	+7	General Elect.	7,500	204	+3½	Norweb	277	189	-3	Sun Alliance	858	377	+9
BICC	1,000	414	+11	Glaxo	1,200	964	+6	Pearson	189	708	+9	Sun Life	0	1128	+15
BOC	1,000	565	+16	Glynwed Int.	381	251	+4	P & O	391	565	+5	T&N	157	177	+1
BPB Inds	1,200	212		Granada	2,000	176	-1	Pilkington	1,800	190	+1	TI Group	287	450	+12
BTR	4,000	374	+7	Grand Met.	1,600	738	+1	Prudential	4,800	220½	+4½	TSB	2,700	148	-1
Bank of Scotland	2,800	130	+1	GUS A	317	1222	+19	RHM	2,500	317	+7	Tarmac	4,000	263	+7
Barclays	4,000	398	+10	GRE	1,200	219	+7	RMC	773	712	+8	Tate & Lyle	1,600	320	-1
Bass	2,300	988	+2	GKN	783	362	+2	RTZ	2,300	503	+9	Taylor Woodrow	1,100	275	+10
Beazer	324	128	+1	Guinness	1,200	801	-5	Racal	3,100	194	+3	Tesco	1,400	238	-3
Berisford Int.	818	38	+1	Hammerson 'A'	95	651	+16	Racal Telecom	764	316	+4	Thames Water	617	309	-4
Blue Circle	1,400	252	+3	Hanson	10,000	216	+½	Rank Org.	566	689	+14	Thorn EMI	429	670	+6
Boots	2,000	344	+3	Hanson Warrants	838	27	+½	Reckitt & Colman	267	1404	+16	Trafalgar House	2,200	243	+4
Bowater	484	527	+10	Harrisons Crosfield	566	156		Redland	972	640	+11	Trusthouse Forte	5,800	259	+5
Brit. Aerospace	3,600	552	-2	Hawker Sidd.	357	514	+9	Reed Intl	1,100	403	+8	Ultramar	1,800	321	+3
British Airways	2,200	152		Hillsdown	1,900	209	-1	Reg. Elect. Pkg Uts	13	£1903	+15	Unigate	858	288	-1
British Gas	10,000	237½	-2	IMI	454	238	-1	Reuters	1,800	792	+2	Unilever	1,200	733	+4
British Land	338	309	+4	ICI	985	1019	+19	Rolls Royce	6,000	158	+3	United Biscuits	1,500	365	+7
BP	9,000	312	+5½	Inchcape	1,100	270	+5	Rothmans	415	795	+25	Utd Newspapers	266	343	+6
British Steel	6,400	129	+1½	Kingfisher	1,900	404	+1	Ryl Bk Scotland	2,000	188		Water Package Uts.	0	£3045	+2
British Telecom	7,000	299½	-3½	Ladbroke	2,300	265	+8	Royal Insurance	1,400	425	+4	Wellcome	1,300	504	+6
Bunzl	1,100	78	+3½	Land Securities	821	560	+2	Saatchi	1,100	25	+1	Welsh Water	1,600	324	-1
Burmah Castrol	208	564	-1	Laporte	242	554	+7	Sainsbury	1,400	334	+1	Wessex Water	208	344	+3
Burton	4,100	90		Legal & General	328	406	+11	Scottish & New.	872	389	+2	Whitbread 'A'	1,800	458	+1
Cable & Wire.	848	513	+2	Lloyds Abbey	1,700	383	+9	Sears	3,400	90		Wiggins Teape	2,400	213	+4
Cadburys	1,300	364	+5	Lloyds Bank	2,500	333	+10	Sedgwick	1,000	255	+9	Williams Hldgs.	1,000	270	+1
Calor Group	388	229	+4	LASMO	1,600	358	+3	Seeboard	255	180	+1	Willis Corroon	2,500	292	+6
Carlton Comms.	915	394	+5	London Elect.	2,500	195	+2	Severn Trent Water	154	280	-1	Wimpey	1,300	190	+10
Coats Viyella	1,300	127	+4	Lonrho	1,900	214	+5	Shell Transport	1,800	464	+7	Yorkshire Elect.	1,400	198	+2
Comm Union	1,200	521	+9	Lucas	2,000	154	+4	Siebe	606	359	+10	Yorkshire Water	214	309	+1
Cookson	957	117	+1	MB Caradon	487	188	+1	Slough Ests	1,500	253	+9				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990/91

NEW HIGHS (114).
BRITISH FUNDS (27) CORPORATION LOANS (3) AMERICANS (1) BANKS (4) BREWERS (2) BUILDINGS (16) STORES (4) ELECTRICALS (3) ELECTRICITY (8) ENGINEERING (1) FOODS (5) INDUSTRIALS (18) BTR Warrants 1994-95, Betterware Consumer Prods., China Light, Creighton Naturally, De La Rue, Fisons, Glaxo, Hepworth, Isotron, Kalon, Low & Bonar, Novo Nordisk B, Reckitt & Colman, Reliance Security, Serco, Spring Ram, Unichem, Wolseley, INSURANCE (6) PAPERS (2) PROPERTY (1) TRANSPORT (1) TRUSTS (16) WATER (1).
NEW LOWS (27).
BANKS (1) BUILDINGS (1) ELECTRICALS (5) ENGINEERING (1) INDUSTRIALS (10) Alexandra Workwear, Amber Ind., Barrett (H.), Cargo Control, Ibex, Johnston, NMC, PFG Hodgson Kenyon, Tollgate, Westerly. PAPERS (1) PROPERTY (2) TRUSTS (2) OILS (3).

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
99	92	Funding 5¼pc '87-91‡‡	99	.....	5.80	11.23
98	89	Treas. 3pc 1991	98	[illegible]	3.05	10.29
99	94	Treas 10pc Cv '91 ‡‡	99	.....	10.09	12.15
99	94	Exch. 11pc 1991	99	.....	11.05	11.58
97	90	Treas. 8pc 1991	97	[illegible]	8.21	11.30
101	97	Treas 12¾pc 1992‡‡	101	.....	12.58	11.12
98	92	Treas 10pc 1992	98	[illegible]	10.11	11.09
96	89	Treas. 8pc 1992 ‡‡	96	[illegible]	8.26	11.00
99	93	Treas 10½pc Cv 1992‡‡	99	[illegible]	10.56	10.93
93	82	Treas. 3pc 1992	92	[illegible]	3.24	9.09
101	95	Exch. 12¼pc '92	101	[illegible]	12.03	10.89
104	98	Exch 13½pc 1992	103	.....	13.01	10.77
96	86	Treas 8¼pc 1993	96	[illegible]	8.59	10.47
99	90	Treas 10pc 1993‡‡	99	[illegible]	10.09	10.43
104	96	Treas 12½pc 1993‡‡	104½	[illegible]	11.96	10.33
92	82	Funding 6pc 1993‡‡	92	[illegible]	6.51	9.48
107	99	Treas 13¾pc 1993‡‡	107	[illegible]	12.74	10.31
95	84	Treas. 8½pc 1994	95	[illegible]	8.89	10.19
111	102	Treas 14½pc 1994‡‡	111	[illegible]	13.04	10.11
108	99	Exch 13½pc 1994	108	[illegible]	12.41	10.18
99	88	Treas 10pc Ln. 1994‡‡	99	[illegible]	10.04	10.09
106	96	Exch. 12½pc 1994	106	[illegible]	11.72	10.17
96	85	Treas 9pc 1994‡‡	96	[illegible]	9.32	10.08
105	94	Treas 12pc 1995	105	[illegible]	11.32	10.08
87	73	Exch 3pc Gas 90-95	84	.....	3.57	7.51
100	88	Exch. 10¼pc 1995	100	[illegible]	10.20	10.08
109	97	Treas 12¼pc 1995‡‡	109	[illegible]	11.63	10.09
113½	101½	Treas. 14pc '96	113½	[illegible]	12.33	10.41

Five to Fifteen Years

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index—Linked

1990/91 High	1990/91 Low	Stock	(b)	Price £	+ or -	(1)	(2)
126	110¼	Tr. 2pc '92‡‡	(97.8)	126	[illegible]	1.93	4.14
116	103¼	Do. 2 '94	(102.9)	116¼	[illegible]	2.84	3.69
171	150⅝	Do 2pc '96	(67.9)	170¾	[illegible]	3.20	3.71
140	123½	Do 2½pc '01	(78.3)	139	[illegible]	3.79	4.09
136	119¾	Do 2½pc '03	(78.8)	135	[illegible]	3.89	4.15
137	122	Do. 2pc '06	(69.5)	137	[illegible]	3.96	4.17
127	113	Do. 2½pc '09	(78.8)	126	[illegible]	3.97	4.17
131	117	Do. 2½pc '11	(74.6)	130	[illegible]	3.98	4.16
108	97	Do. 2½pc '13	(89.2)	108	[illegible]	3.95	4.12
116	105	Do. 2½pc '16	(81.6)	116	[illegible]	3.92	4.08
113	102	Do. 2½pc '20	(83.0)	112½	[illegible]	3.90	4.04
95	86	Do. 2½pc '24‡‡	(97.7)	94	[illegible]	3.84	3.98

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for June 1990: 126.7 and for January 1991: 130.2.

INT. BANK AND O'SEAS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
101	84	African Dv Bk 11½Ln 2010	101	[illegible]	10.92	10.88
98	80	Asian Dev Bk 10¼pcLn2009	97	[illegible]	10.49	10.53
112	80	Int-Am Dev Bk 12½pc 2003	111	[illegible]	11.17	10.70
92	76	Do. 9¾pcLn 2015	92	[illegible]	10.53	10.60
110	55	Utd Mexican States 16½pc 2008	109	.....	15.14	14.90

CORPORATION LOANS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
55	41	Met. Wtr. 3pc 'B'	52	.....	5.77	9.70

FOREIGN BONDS & RAILS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Div %	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
46	35	CPC Intnl. 25c	41	[illegible]	$2.00	–	2.4
930p	358p	California Engy	424p			–	–
36	23½	Campbell Soup 15c	35	[illegible]	$1.16	–	1.7
21	5	Chase Manhattan $12½	7	.....	$1.20	–	8.0
12½	5	Chrysler $6¼	5	.....	$1.20	–	10.7
18	5	Citicorp $1	8½	.....	$1.00	–	6.0
40	29	Colgate-Palmolive $1	37	[illegible]	$1.80	–	2.4
12	386p	Cont'l Bank Corp $4	648p	+12	$1.00	–	7.8
268p	51p	Corporate Data Scnce	51p				–
22	10	Dana Corp. $1	14	[illegible]	$1.60	–	5.4
768p	178p	Data General	470p	+10		–	–
29½	18	Dun & Bradstreet $1	23	[illegible]	$2.12	–	4.5
37	21	Eaton Corpn. 50c	29	[illegible]	$2.20	–	3.8
10	4	Echlin Inc.	6	[illegible]	70c	–	5.8
22	13	FPL Group 1c	15	[illegible]	$2.36	–	7.5
29	15	Fluor Corp 62½pc	23	[illegible]	32c	–	0.7
30	12	Ford Motor $1	15	.....	$3.00	–	9.8
41	25	Gen. Elect. 63c	34	.....	$2.04	–	3.0
441p	205p	General Host Corp $1	376p	+9	32c	–	4.3
35	25	Gillette $1	35	[illegible]	$1.08	–	1.6
315p	22p	Gt American Bank $1	70p	.....			–
20	10	Greyhound Dial $1½	15	[illegible]	$1.32	–	4.7
12	583p	Hasbro Inc 50c	12	[illegible]	20c	–	0.8
30	18	Honeywell $1½	26	[illegible]	$1.50	–	2.8
21	16	Houston Inds.	19	[illegible]	$2.96	–	7.8
74	49	IBM Corpn $1¼	67	.....	$4.84	–	3.6
35½	14	Ingersoll-Rand $2	23	[illegible]	$1.32	–	2.8
25½	12	Lockheed Crpn $1	20	[illegible]	$1.80	–	4.5
11	7	Lone Star Inds $1	7	.....	$1.90	–	12.9
28	18	Louisiana Land 15c	19	[illegible]	$1.00	–	2.6
29	939p	Lowe's 50c	1569p	+56	52c	–	1.7
22	8	Manuf. Hanover $1	13	[illegible]	$3.28	–	12.7
16	8	Merrill Lynch $1	15	[illegible]	$1.00	–	3.3
14	8	Molex Inc.	14	[illegible]	4c	–	0.1
27	16	Morgan (JP) $2½	24	.....	$1.98	–	4.1
30	21	Morris (Philip)	30	.....	$1.72	–	2.8
56	34	NYNEX $1	38	[illegible]	$4.56	–	6.0
21	919p	PHH Corp.	13	[illegible]	$1.20	–	4.5
23	13	Pall Corp. 25c	23	[illegible]	66c	–	1.4
55	32	Pennzoil 83 1/3c	35	[illegible]	$3.00	–	4.3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990/91 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
£13¾	£9	ABN Amro Fl5	69½	...	Q28%	2.1	8.8	5.3
303	121	ANZ SA1	143	+3	Q38c	1.9	10.8	4.9
267	172	Abbey National 10p	254	...	5.7	4.3	3.0	10.3
*274	126	Allied Irish Ord	163	+6	Q40%	3.3	5.5	7.4
85	47	Anglo Irish	57	...	Q18.6%	2.3	7.3	7.5
93	53	Ansbacher (H.) 1p	53	-3	2.5	1.3	6.3	15.3
£71¼	£52	Bancaire Cie Fr100	£55	+3	Q12½%	-	2.4	-
£22½	£12½	Banco Bilbao Viz	£15⅝	...	Q49.1%	2.7	5.2	7.1
£58	£21	Banco de Santander	£24½	...	Q28.7%	2.3	5.0	8.5
286	130	Bank Ireland Ir£1	174	+7	Q14.7%	2.9	7.6	6.1
£19½	£18	Bank Leumi	£19½	...	-	-	-	-
351	320	Bank Leumi (U.K.) £1	350	...	16.0	-	6.3	-
134	100	Bank Scotland	130	+1	N4.55	3.4	4.7	8.3
110	83¼	Do 9¼pc Irrd Pf £1	104	+½	9¼%	-	11.9	-
107½	99½	Do 9¾pc Irrd Pf £1	107¼	-½	9¾%	-	12.1	-
54	39	Bank of Wales	39	...	2.8	0.8	9.6	(18.7)
428	290	Barclays £1	398	+10	h19.57	3.5	6.6	5.5
22	9	Benchmark 20p	9	...	0.75	-	11.1	-
335	195	Brown Shipley £1	220	+10	12.0	2.2	-	7.1
*441	285	Cater Allen £1	441	+5	F24.5	-	7.4	-
179	29	Chancery	36	...	9.0	2.7	-	1.4
£23¼	£14	Commerzbk DM10	£18½	+¾	Q18%	-	3.3	-
£13½	620	Dai Ichi KBk Y50	925	+19	Q17%	6.2	0.4	43.7
£313	£189	Deutsche Bk DM50	£231	+4	Q28%	-	2.0	-
£20⅞	£14	Espirito Santo	£16¾	+¼	Q75c	5.1	2.3	8.6
253	152	First Nat. Fin. 10p	178	+2	13.0	1.2	9.7	(10.6)
121	78	FNFC 6.3pc Cv Pf £1	92	...	6.3%	-	9.1	-
£13½	633	Fuji Bank Y50	978	+1	NQ17%	6.9	0.3	41.6
325	262	Gerrard & National	322	+3	19.0	-	7.9	-
154	68	Guinness Mahon 10p	68	...	1.45	-	2.8	-
328	194	Hambros 20p	253	+7	11.5	-	6.1	-
122	88	Do. 7.5pc Cv Pf £1	112	+2	7½%	-	8.9	-
53½	29	HK & Shang HK$2.50	37	+1	K039c	-	7.5	-
478	373	Joseph (Leo) £1	378	...	15.85	-	5.6	-
150	105	King & Shaxson 20p	129	+4	10.25	-	10.6	-
422	249	Kleinwort Benson Grp.	324	+7	16.0	2.5	6.6	7.7
642	316	Kyowa Bank Y50	472	+32	Q14%	♦	0.6	♦
336	220	Lloyds £1	333	+10	13.3	2.6	5.3	7.8
56	44	Lon. Scot. Bank 10p	49	...	2.75	1.7	7.5	9.0
404	150	Midland £1	180	+7	18.0	2.6	13.3	3.7
£14½	£10	Mitsubishi Bank Y50	£10	...	Q17%	♦	0.3	♦
£12¾	£4½	Mitsubishi Tst & Bk Y50	£7	...	Q17%	12.4	0.6	14.3
£10⅝	£4	Mitsui Taiyo Kobe Y50	£7	+¼	Q16%	6.0	0.4	39.9
904	410	Mitsui Tst & Bk Y50	581	+11	Q17%	♦	0.6	♦
326	203	Nat. Aust. Bk A$1	253	+9	Q55c	1.5	8.9	7.5
368	227	NatWest £1	300	+4	16.7	3.3	7.4	5.5
£210	£100	Ottoman Bank	£105	...	Q110%	2.8	10.5	3.4
55	24	Rea Bros. Group	26	...	0.5	3.2	2.6	13.0
227	119	Royal Bk. Scotland	188	...	8.4	2.3	6.0	9.6
795	338	Saitama Bank Y50	466	+28	Q14%	♦	0.6	♦
£12¾	567	Sanwa Bank Y50	894	-12	Q17%	6.7	0.4	39.2
902½	613	Schroders £1	730	+20	h12.5	5.9	2.3	9.9
712½	413	Do £1 N/V	513	+25	b12.5	5.9	3.2	6.9
£25¾	£9½	Sec. Pacific $10	£12⅝	...	Q$2.52	-	10.1	-
616	205	Standard Chartd. £1	274	+1	35.0	1.4	17.0	(5.1)
£16½	£5¾	Sumitomo Bank Y50	£9¼	+½	Q16%	7.5	0.3	38.4
£11	£4	Sumitomo Tst & Bk Y50	£7	+½	Q17%	6.9	0.5	29.7
153	114	TSB	148	-1	6.4	2.1	5.8	11.0
175	112	TSB Bank Ch'nel Is £1	134		Q8.0	3.8	6.0	5.4
£463	£4½	Tokai Bank Y50	£6½	+¼	Q16%	4.1	0.5	49.6
920	484	Toyo Tst & Bk Y50	722	+10	Q15%	6.9	0.4	34.5
611	499	Union Discount £1	555	...	35.0	♦	8.4	♦
525	284	Warburg (S.G.)	390	+13	15.0	3.0	5.1	8.8
180	98	Do 6pc Cm Pf £1	131	+3	6%	-	6.1	-
279	128	Westpac SA1	166	+2	Q52.5c	1.2	12.9	6.4
420	286	Wintrust 20p	315	+5	18.7	4.3	3.7	8.4
969	509	Yasuda Tst & Bk Y50	664	-13	Q17%	5.9	0.5	33.2

Hire Purchase, Leasing, etc.

1990/91 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
175	40	CLF Yeoman 50p	50	...	Q18.5%	3.2	-	2.4
71	40	Cambridge Grp Ir5p	46	...	Q7¼%	15.6	0.7	11.2
55	11	Capital Leasing Ir10p	37	...	[illegible]	3.5	3.2	9.1
*64	46	Cattle's (Hldgs) 10p	62	+1	K3.8	1.9	8.2	9.5
426	362	Prov. Financial	424	+2	20.5	2.1	6.4	9.8
*232	119	Reflex Invs. Ir5p	119	...	Q51%	7.9	2.0	8.7
225	192	Secure Trust Grp. 1p	200	...	8.5	2.8	5.7	8.4
210	135	Woodchester IR20p	173	+3	Q16.7%	5.9	1.7	12.9

BEERS, WINES & SPIRITS

1990/91 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
524	408	Allied-Lyons	509	+7	16.95	2.3	4.4	11.0
£26¾	£18	Anheuser-Busch $1	£23½	...	Q$1.00	-	2.2	-
1128	895	Bass	986	+2	32.4	2.9	4.4	10.1
170	124	Boddington	151	+5	5.1	2.3	4.5	12.7
206	161	Bulmer (H.P.) 5p	189	...	7.65	1.7	5.4	12.7
227	105	Burtonwood Brewery	108	...	3.98	3.1	4.9	7.8
400	290	Clark (Matthew)	384	+5	13.5	3.0	4.8	9.2
286	115	Devenish (J.A.) 5p	157	+1	5.3	2.5	4.5	11.0
225	85	Do 4.5pc Cv 2ndPf £1	110	+5	4½%	-	5.5	-
167	93	Eldridge Pope "A" 50p	103	...	4.1	-	5.3	-
115	46	Fosters Brewing A$1	68	+3	Q8½c	0.7	5.8	25.2
430	335	Fuller, S.T.A. "A" £1	363	...	15.5	4.3	2.0	15.2

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS — Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS — Contd

ELECTRICITY

ENGINEERING

ENGINEERING — Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) — Contd

INSURANCES

LEISURE

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MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY – Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST – Contd

[illegible]

INVESTMENT TRUST – Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES – Contd

[illegible]

Tins

[illegible]

Miscellaneous

High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
[illegible]							
62	22	‡‡Ivernia West ... γ	37	–2	–	–	–
97	44	‡‡Kells Mins. Ir5p. γ	45	.....	–	–	–
49½	9	✠Kenmare ..... γ	9	–1	–	–	–
45	15	‡‡Navan Resources... γ	15	.....	–	–	–
20¼	7	✠New Sabina Res C$1..	9	–½	–	–	–
457	52	Northgate Expl. C$1..	58	.....	s–	–	–
36	12	North West Expl.......	12	.....	–	–	–
39¾	2	✠Nor-Quest Res.....	8	+3	–	–	–
255	90	Oryx Gold Hldgs ...	194	.....	–	–	–
57	11	‡‡Ovoca Gold IR 2p.. γ	13	.....	–	–	–
93	42	Plateau Mining 20p.. β	42	.....	–	–	–
605	392	RTZ 10p........... α	583	+9	†18.5	2.5	4.9
14	4½	✠Thorco Res. Inc.‖..	7	.....	–	–	–
18	5	Vizcaya Hldgs 5p.... β	8	.....	–	–	–
178	130	✠Young Group 10p. β	131	+1	†7.8	2.7	7.9

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
◆ Figures or report awaited
♥ Not officially UK listed, dealings permitted under rule 535(4)(a)
✠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially listed.
# Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
◆ Merger bid or reorganisation in progress
◆ Not comparable
◆ Same interim, reduced final and/or reduced earnings indicated
§ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Craig & Rose £1.. β	675	.....
Finlay Pkg. 5p ... β	33	.....
Holt (Jos) 25p..... β	1308	.....

IRISH

Stock	Price	+ or –
Cap. 8½% Ln. 1991..	£99½	.....
9pc Cap Ln. 1996..	£96¼	.....
Fin. 13% 97/02...	£113	.....
Arnotts..........	168	.....
Carrol (P.J.).	154	.....
Helton Hldgs..... γ	40xd	.....
IRG..........	132	.....
United Drug.........	135	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	46
BOC Grp.	28
BTR	25
Barclays	38
Blue Circle	19
Boots	29
Bowaters	43
Brit Aerospace	45
British Steel	10½
Brit. Telecom	25
Cadburys	28
Charter Cons.	38
Comm Union	40
Courtaulds	28
Eurotunnel	35
FKI	5
FNFC	20
Gen Accident	41
GEC	15
Glaxo	68
Grand Met	51
Guardian	17
GKN	27
Hanson	16
Hawker Sidd	35
ICI	70
Ladbroke	22
Legal & Gen	32
Lex Service	17
Lloyds Bank	24
Lucas Inds	11
Marks & Spencer	19
Midland Bk	16
Nat West Bk	21
P & O Dfd	44
Racal Elect	16
RHM	23
Rank Org Ord	52
Reed Intnl	32
STC	19
Sears	7½
SmKl. Beecham A	51
TI	35
TSB	11
Tesco	19
Thorn EMI	55
Trust Houses	23
T&N	13
Unilever	52
Vickers	16
Wellcome	33

Property

	p
Brit Land	24
Control Secs	3½
Land Securities	45
MEPC	38
Mountleigh	9

Oils

	p
Aviva Petlm.	3
Brit Petroleum	27
Burmah Castrol	46
Conroy Petlm	15
Gaelic Res	1½
Premier	7
Shell	37
Tuskar Res	2
Ultramar	29

Mines

	p
Lonrho	19
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Matheson Unit Trust Managers Ltd (1200)H
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing: 0277 261010

UK Growth (4–1)	6	62.45	63 63	68.05	+0 98	3.63
UK High Income	6	33 04	33.45	35 78	+0 63	5 66

The Bilton Centre, North Harbour, Portsmouth
Enquiries: 0705 372222 Dealing 0705 387730

American ♥	5¼	27 55	27.55	29 38	+0 45	1.74
(Accum Units) ♥	5¼	29.48	29.48	31 44	+0 47	1 74
Australian ♥	5¼	146 7	146.7xd	157.4	+3 80	3 49
(Accum Units) ♥	5¼	165.2	165 2	177 2	+4.2	3 49
Conscience	5¼	46 20	47.09	50 25	+0 33	1 55
(Accum Units)	5¼	48 45	49 38	52.70	+0.35	1 55
European	5¼	133 4	133 4	142.2	+0.9	1 10
(Accum Units)	5¼	140 8	140 8	150 1	+1.0	1 1
Extra Income	5¼	61 84	61 84	65 99	+0 46	9 26
(Accum Units)	5¼	83.32	83 32	88.92	+0.63	9 26
Far East Gth Acc ♥	5¼	100 7	100 7	109 4	+4.4	0 29
Gilt & F I	5¼	51 41	51 41xd	54 42	+0 03	9 21
(Accum Units)	5¼	108 2	108.2	114 5	+0.1	9 21

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

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TSB Unit Trusts (1200)H

Charlton Pl, Andover, Hants. SP10 1RE 0264 346794

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	6	115 48	116 26	123 68	+2.27	0 42
Do Accum	6	126 23	127.08	135.19	+2 47	0.42
TSB Brit Growth	6	68.65	69.7	74 14	+0 7	3.6
Do Accum	6	75 89	77.06	81 97	+0.78	3 6
TSB European	6	69.16	69.16xd	73.57	+0.37	1.17
Do Accum	6	71.67	71.67xd	76 24	+0.39	1 17
TSB Extra Income	6	148.6	150 72xd	159 8	-3.09	5 62
Do Accum	6	214.31	216.64xd	230 46	+0 08	5.62
TSB Smaller Cos	6	38 45	40 09	42.64	+0.37	3.18
Do Accum	6	40.31	42.02	44 7	+0.38	3 18
TSB General	6	209.23	209 23xd	222 58	+2.37	3 96
Do Accum	6	390.4	390 4xd	415.31	+4 42	3.96
TSB Premier Income	5	43.15	43.79xd	45 61	-0.07	8.93
Do Accum	5	77.22	78.38xd	81.64	-0 12	8.93
TSB Income	6	281.09	286.39	304 66	+3 76	5 36
Do Accum	6	522.54	532.38	566.36	+6 99	5.36
TSB Pacific	6	203.76	207.31	220.54	+0 7	0.34
Do Accum	6	212.01	215 71	229 47	+0 8	0 34
TSB International	6	357 48	357.48	380 29	+1 13	0 34
Do Accum	6	458.54	458.54	487.8	+8.98	1 13
TSB Nat Resources	6	54.42	55 48	59.02	+0.4	1.25
Do Accum	6	59.03	60 19	64.03	+0 4	1.25
TSB Spcal Opps	6	72 42	74.18	78.91	+0.76	3 63
Do Accum	6	86.43	88.53	94.18	+0 9	3 63
Environmental Inv	6	43.05	43 43xd	46 2	-0.05	2.45
Do Accum	6	44.42	44 81xd	47.66	-0 06	2.45
TSB Selector	6	44.72	45 47	48 37	+0.47	4.35
Do Accum	6	46 08	46 85	49.84	+0 48	4 35
TSB High Income	6	48.0	48.8	51.91	+0 5	6 07
Do Accum	6	49 27	50 1	53 29	+0 51	6 07
TSB Intl Income	6	49.06	49.33	52.47	+0 25	6.77
Do Accum	6	49 06	49.33	52.47	+0 25	6.77
TSB Selector Income	6	47.91	48.47	51.56	+0 37	6 4
Do Accum	6	47 91	48 47	51.56	+0.37	6.4

Target Trust Mngrs Ltd (1600)F

Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 0296 312156

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	67.69	67.69	72.16	+0.88	1.18
Australia	5	5 305	5.305xd	5 682	[illegible]	[illegible]

M & G Securities Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Charibond	101.4	101 4xd		10.65
(Accum Units)	551.8	551.8	-0.2	10 65
BAAGIF Feb 5	-	40.5xd		9 89

MIM Ltd

Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Mngd P'Folio	1047.0	1129 0		-
Mngd Pens (Acc)	61 60	65 70		-

Morgan Grenfell Unit Trust Managers Ltd

Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity † Feb 12	118 9	127 5		3.07
UK Small Co † Feb 12	420.6	450 1		2.33
Fixed Interest † Feb 12	103 2	110 6		8.03
US Small Co Feb 12	120.5	128 7		0 00
Managed Feb 12	99 00	105.4		1.38
Intl Bond Feb 12	111.2	117 3		7 80
Japan Feb 12	64 86	69.31		0.98
European Feb 12	80.17	85 76		1 72
Nth American Feb 12	90.20	96.70		1.46

Murray Johnstone UT Mngmt

Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Amer Expt Feb 13	43 65	45.39xd		2 64
Euro Expt Feb 13	46 40	48 72xd		2 43
Fixed Int Ex Feb 13	46.24	47.38		10.43
Japan Expt Feb 13	42.64	44 34		1.72
Managed Ex Feb 7	40 08	41.68		4.82
SE Asia Expt Feb 13	59.36	62.32		5.09
Sm Cos Expt Feb 13	27 29	28.65		5.50
UK Eqty Ex Feb 13	36 70	38.53xd		4.48

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co s Feb 5	570.0	609.8xd		5.94
Do Accum	640.3	684 9		5.94
Int. Eqn Feb 13	155.5	158.2		3 21
UK Index Feb 5	1013	1030		5.85
Do Accum	1083	1101		5.85
Convertible Feb 15	86.61	89.36	+2.0	8.36

Allied Dunbar Assurance Plc—Contd.

Baring Funds

Pen Equ Cap

Pen Equ Acc

Pen Am Eq Cap

Pen Am Eq Acc

Pen Far East Cap

Pen Far East Acc

Pen Euro Cap

Pen Euro Acc

James Capel Funds

Pen Equ Cap

Pen Equ Acc

Pen Am Eq Cap

Pen Am Eq Acc

Pen Far East Cap

Pen Far East Acc

Pen Euro Cap

Pen Euro Acc

Ambassador Life Assce. Co Ltd

80 Holdenhurst Rd, Bournemouth

Equity Fund Acc.

American Life Insurance Co UK

2-8 Altyre Road, Croydon

Life Funds (Accumulation)

Premier Managed(z)

Alpha Managed(z)

HICA Managed(z)

Pension Funds (Accumulation)

Premier Managed(z)

Alpha Managed(z)

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
N & P Life Assurance Ltd				
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348				
Life Managed Fd	97.3	102.5	..	–
Pension Managed Fd	93.2	98.2	..	–
Life Deposit Fd	104.5	110.0		–
Pension Deposit Fd	108.5	114.2	..	–
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539				
Life Funds				
Managed Cautionary	102.1	111.6	..	–
Managed Growth	123.7	135.3	..	–
Managed Opportunity	119.9	131.8		–
NFMC Target Financial	91.2	98.6	..	–
Pension Funds				
Managed Cautionary	110.5	120.8	..	–
Managed Growth	129.5	142.4		–
Managed Opportunity	122.5	133.9	..	–
NFMC Target Mngd Pen	1377.9	1497.8	.	–
Prosperity Life Assurance Ltd				
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555				
Initial Equity	146.0	154.0	+1.0	–
Accum Equity	206.5	218.0	+2.0	–
Accum Managed	214.5	226.0	+3.5	–
Accum Five Star	256.0	265.0	+2.5	–
Accum World	114.0	120.5	+0.5	–
Accum Lifetime	105.5	105.5	+0.8	–
Pens Acc Equity	220.0	232.5	+2.5	–
Pens Acc Managed	260.5	275.0	+4.0	–
Pens Acc Intl	190.0	201.0	+5.0	–
Pens Acc Deposit	191.5	202.5		–
Pens Acc Five Star	167.0	176.5	+1.0	–
Providence Capitol Life Assc. Co Ltd				
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888				
UK Equity Acc	209.7	221.3	+2.0	–
UK Fixed Int Acc	168.0	177.3	+0.5	–
Intl Equities Acc	159.7	168.5	+2.2	–
UK Managed Acc	163.3	172.2	+1.2	–
Property Acc	226.3	238.8	.....	–
Money Acc	125.8	132.8	+0.1	–
Special Market Acc	127.7	134.8	+1.6	–
Japan Equity Acc	99.2	104.7	+4.3	–
North American Acc	93.7	98.9	+1.8	–
Pacific Acc	83.0	87.6	+3.0	–
Technology Acc	101.1	106.7	+1.4	–
Nat Resources Acc	48.3	51.0	-0.4	–
European Acc	94.0	99.2	+0.5	–
Residential Prop Acc	95.8	101.1		–
Swiss Equities Acc	33.7	35.6	+0.4	–
National Mutual Life				
The Priory, Priory Pk, Hitchin SG5 2DW 0462 422422				
Harvester Pension Funds				
Managed	146.9	154.7	.....	–
UK Equity	152.2	160.3	.	–
Overseas Equity	119.5	125.8		–
Fixed Interest	141.4	148.9		–
Property	130.6	137.5	.	–

Royal Heritage Life Assurance Ltd—Contd.

Scottish Widows' Group

Sun Life Unit Assurance Ltd

CMI Insurance Co Ltd

Chase de Vere PLC

Hambros Fd Mgrs (CI) Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

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	Bid Price	Offer Price	+ or -	Yield Gross
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y2,870	2,899	...	-
New Generation Fd $	$22.18	22.40	...	-
Japan Index Alpha	Y8,692	8,824	...	-
Jap Sector Rotation	Y7,302	7,410	-4	-
Jap Cap Gwth CB	[illegible]	[illegible]		-
Sandl International (Guernsey) Ltd				
Intl Bond	$10.66	10.84	...	-
Intl Dollar	$10.37	10.38	...	-
Intl Equity	$11.47	11.88	...	-
Falcon High Income	$90.70	90.86	...	-
Schroder Investment Mngmt (Guernsey) Ltd				
Latin American	$12.2019	12.9015	...	-
Stonehenge Fund Mngrs Ltd				
Intl Man Fd	$11.67	11.741	...	-
U.S. Treasury Securities Fund Ltd				
Short Term Shares		$751.1	...	-
Fixed Income Shares		$876.72	...	-
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Mesa Growth		$11.09	...	-
Yamaichi ISS Fund		$8.05	...	-
Yamaichi CB Plus Fund		$9.83	...	-
Thai Inv Fund		$10.86	...	-

IRELAND (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
GAM Fund Management Ltd (u)						
29 Kildare Street, Dublin						

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F						
PO Box 63 Bond Street, St Helier, Jersey 0534 76029						
Stlg Fixed Int	5½	£1.123	1.123xd	1.193	+0.001	9.93
Offshore High Yield	3½	£1.432	1.432xd	1.490	+0.001	14.60
Global Equity Fund	5½	$14.56	14.63	15.68	+0.15	1.07
European Equity	5½	[illegible]	16.96	18.14	+0.28	1.07
UK Growth (E) Fund	5½	£4.428	4.493	4.805	+0.072	3.35
Nth American Eqty	5½	$9.813	9.813	10.476	+0.18	0.70
Far Eastern Eqty	5½	$9.615	9.743	10.420	+0.38	0.58
International Hedge	5½	$9.586	9.586	10.240	+0.14	0.00
Intnl. Bond Fund						
Sterling Managed	5½	£10.25	10.25xd	10.93	+0.03	8.80
US Dollar Managed	5½	$13.57	13.57xd	14.42	...	5.91
International Currency Fund						
Sterling Managed ♦	5½	£25.08	25.08	26.54	+0.04	-
US Dollar Managed ♦	5½	$29.18	29.18	30.88	+0.01	-
Sterling ♦ ‡	0	£24.21	24.21	24.21	+0.03	13.50
US Dollar ♦ ‡	0	$37.47	37.47	37.47	+0.02	5.49
Deutschmark ♦ ‡	0	[illegible]	58.84	58.84	+0.04	7.69
Japanese Yen ♦ ‡	0	Y4.776	4.776	4.776	+3	6.27
Swiss Franc ♦ ‡	0	[illegible]	45.93	45.93	+0.03	6.96
Irish Punts ♦ ‡	0	£21.76	21.76	21.76	+0.02	6.75
INVESCO MIM International Limited						
PO Box 271, St Helier, Jersey 0534 73114						
Jersey Gilt (z)	5¼	[illegible]	0.1704xd	0.1798	...	9.18
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195, St Helier, Jersey 0534 27561						
Lloyds Tst. Gilt	2½	£9.540	9.555xd	9.805	+0.03	11.42
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 37788						
Intl Circuit Portfolio	6	94.20	94.20	99.93	+0.79	0.00
Gilt	3	93.33	93.33xd	96.24	+0.01	10.39

For MIM see INVESCO MIM

Scimitar Worldwide Money Fund Ltd

Sterling · US $ · D-Mark · Swiss Franc · Japanese Yen · Australian $ · Canadian $ · Ecu · US$ Managed · Sterling Managed

Scimitar Worldwide Selection Fd Ltd

Equity Class Funds: American · Asian Small Mkts · European · Gold · Japanese · Pacific Basin · S'pore Indo Malaysia · Utd Kingdom · Worldwide · Worldwide Income · Worldwide Warrant

Managed Class Fund: Worldwide

Bond Class Funds: Ecu · Sterling · US Dollar · Worldwide

Scrimgeour Kemp-Gee · SKG Capital Fund · SKG Income Fund

TSB Trust Funds (CI) · TSB Jsy Equity Fd · TSB G'sey Equity Fd

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar continues to advance

The dollar was generally firm in quiet European trading, moving up towards technical resistance at DM1.4850 and holding above Y130.00.

Volume was thin, with US markets closed for Presidents' Day, but sentiment continued to favour of the dollar after Friday's positive reaction to hopes that Iraq is looking for a diplomatic way out of the Gulf war, and also to the shrinking US trade deficit.

The dollar has improved steadily after touching a record trading low of DM1.4430 at the beginning of last week, despite ambiguous political and economic news. Its future direction remains in doubt, but recent developments have encouraged hopes that the currency may have found a base.

Developments in the Gulf war remained confusing, but the dollar appeared capable of improvement on statements from the US that there will be no let up in military operations. There were certainly doubts in London trading hours yesterday that the talks between Soviet officials and Mr Tariq Aziz, the Iraqi foreign minister, would bring an early solution to the crisis.

Friday's news of a sharp fall in the December US trade deficit was seen as favourable for the dollar, although the trade figures may also make it more likely that the Federal Reserve will cut interest rates to relieve recessionary pressure.

At last night's London close the dollar had improved to DM1.4845 from DM1.4760; to SFr1.2730 from SFr1.2670; to FFr5.0525 from FFr5.0275; and was unchanged at Y130.40. Its index rose to 60.3 from 60.1.

Sterling lost 1 cent to the stronger dollar, but gained a little ground against the D-Mark. Dealers were encouraged by the pound's performance, after last week's reduction in bank base rates and speculation about further cuts in the near future.

A fall of 1.4 per cent in January UK retail sales was sharper than expected, but it had little impact on sterling. It was also noted that the pound performed well despite the fact that falling oil prices have reduced the value of North Sea crude.

Sterling fell to $1.9600 from $1.9700; to Y255.50 from Y257.00; and to FFr9.9025 from FFr9.9050, but rose to DM2.9100 from DM2.9075 and was steady at SFr2.4950. Its index shed 0.2 to 94.2.

The pound remained above the French franc within the European Monetary System. The French currency was the weakest member of the EMS exchange rate mechanism, despite gaining against sterling and improving at the Paris fixing against the D-Mark. There was no reaction to news that the Bank of France left credit policy unchanged when injecting funds into the money market. At the Paris fixing the D-Mark fell to FFr3.4027 from FFr3.4061.

Rates and prices for US markets are for February 15, owing to yesterday's public holiday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Feb 18	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	127.870	−4.31	5.67	75
Belgian Franc	42.4032	42.1779	−0.53	1.65	32
Dutch Guilder	2.31643	2.30816	−0.36	1.47	24
D-Mark	2.05586	2.04897	−0.34	1.45	30
Italian Lira	1538.24	1538.80	0.04	1.07	5
Irish Punt	0.767417	0.769370	0.25	0.85	−5
Danish Krone	7.84195	7.87809	0.46	0.65	−15
Sterling	0.696904	0.704197	1.05	0.06	−21
French Franc	6.89509	6.971733	1.11	0.00	−53

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

Mexico	5821.75 - 5844.35	2968.00 - 2978.00
N.Zealand	3.2375 - 3.2425	1.6485 - 1.6510
Saudi Ar	7.3670 - 7.4080	3.7490 - 3.7510
Singapore	3.3645 - 3.3725	1.7125 - 1.7145
S.Af (Cm)	4.9710 - 4.9835	2.5350 - 2.5370
S.Af (Fn)	6.2315 - 6.3325	3.1745 - 3.2260
Taiwan	53.20 - 53.30	27.10 - 27.15
U.A.E.	7.2155 - 7.2560	3.6720 - 3.6740

* Selling rate

POUND SPOT - FORWARD AGAINST THE POUND

Feb 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

Feb 18						
H Fl	0.305	0.598	0.888	77.94	3.021	0.761
Lira	0.458	0.898	1.333	117.0	4.536	1.143
C $	0.442	0.867	1.288	113.1	4.382	1.104
B Fr.	1.671	3.275	4.862	426.9	16.55	4.169

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Short sterling firm

Prices of short sterling futures were firm on Liffe as the pound improved against the D-Mark and January UK retail sales showed a slightly larger than expected decline.

Traders hope that this will increase room for cuts in UK bank base rates. Wholesale interest rates eased on the news, with three-month interbank falling to 13¼-13 from 13$\frac{7}{16}$-13$\frac{1}{16}$ per cent.

March short sterling touched a peak of 87.32 and closed at 87.29, compared with 87.19 on Friday, pointing towards a cut in base rates by delivery on March 20.

Volume built up in the longer dated contracts. Optimism that base rates will continue to fall was reflected in a rise in June short sterling to 88.59 from 88.48.

Day-to-day credit was in short supply on the London money market. The Bank of England initially forecast a shortage of £1,000m, but revised this to £950m at noon and to £900m in the afternoon. Total assistance of £808m was provided.

An early round of help was offered and at that time the authorities bought £21m bank bills outright in band 1 at 13⅜ per cent. Before lunch another £196m bills were purchased, by way of £12m bank bills in band 1 at 13⅜ per cent and £184m bank bills in band 2 at 13¼ per cent.

In the afternoon £586m bills were bought, via £271m bank bills in band 1 at 13⅜ per cent and £315m bank bills in band 2 at 13¼ per cent. Late assistance of around £5m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,197m, with the unwinding of repurchase agreements absorbing £574m and bank balances below target £50m. These outweighed exchequer transactions adding £270m to liquidity and a fall in the note circulation of £550m.

In Frankfurt call money was unchanged at 8.70 per cent. Trading was quiet with banks bidding for funds to meet tax payments.

In Paris the Bank of France left its money market intervention rate at 9¼ per cent and the five to 10-day repurchase rate at 10 per cent at yesterday's securities repurchase tender.

In Brussels the Belgian National Bank cut the rate on seven-day credits at its weekly securities repurchase agreement tender to 9.10 from 9.25 per cent.

UK clearing bank base lending rate 13.5 per cent from February 13, 1991

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

FINANCIAL FUTURES AND OPTIONS

[illegible]

CAC-40 FUTURES (MATIF) Stock index

	Open	Close	Change	High	Low	Open Int
February	1696.0	1705.0	+21.0	1719.0	1696.0	8,117
March	1711.0	1718.0	+21.5	1730.5	1709.0	2,265
April	1722.0	1739.0	+30.5	1739.0	1721.0	2
June	-	-	-	-	-	200

Estimated volume 5,976 Total Open Interest 10,584

POUND - DOLLAR

[illegible]

BASE LENDING RATES

	%		%		%
ABN Bank	13½	Co-operative Bank	13½	Nat Bk. of Kuwait	13½
Adam & Company	13½	Coutts & Co	13½	NatWestminster	13½
Allied Trust Bank	14	Cyprus Popular Bk	13½	Northern Bank Ltd	13½
AIB Bank	13½	Dunbar Bank PLC	13½	Nykredit Mortgage Bank	14
● Henry Ansbacher	13½	Duncan Lawrie	13½	Provincial Bank PLC	15
Associates Cap Corp	15½	Equatorial Bank plc	14	Roxburghe Bank Ltd.	14½
B & C Merchant Bank	13½	Exeter Bank Limited	14	Royal Bk of Scotland	13½
Bank of Baroda	13½	Financial & Gen. Bank	13½	● Smith & Williamson Secs.	13½
Banco Bilbao Vizcaya	13½	First National Bank Plc.	16	Standard Chartered	13½
Bank Credit & Comm.	13½	● Robert Fleming & Co.	13½	TSB	13½
Bank of Cyprus	13½	Robert Fraser & Ptnrs.	14	Unibank plc	13½
Bank of Ireland	13½	Girobank	13½	● United Bk of Kuwait	13½
Bank of India	13½	● Guinness Mahon	13½	United Mizrahi Bank	14
Bank of Scotland	13½	● Hambros Bank	13½	Unity Trust Bank Plc	13½
Banque Belge Ltd	13½	Hampshire Trust Plc	14½	Western Trust	13½
Barclays Bank	13½	Heritable & Gen Inv Bnk.	14	Westpac Bank Corp.	13½
Benchmark Bank	14	● Hill Samuel	13½	Whiteaway Laidlaw	13½
Brit. Bk of Mid East	14	C. Hoare & Co.	13½	Yorkshire Bank	13½
● Brown Shipley	13½	Hongkong & Shangh	14		
CL Bank Nederland	13½	● Leopold Joseph & Sons	13½		
● Charterhouse Bank	13½	Lloyds Bank	13½		
Citibank NA	13½	Meghraj Bank Ltd	13½		
City Merchants Bank	13½	McDonnell Douglas Bnk.	13½		
Clydesdale Bank	13½	Midland Bank	13½		
Comm. Bk. of London Plc	13½	Mount Banking	13½		

● Members of British Merchant Banking & Securities Houses Association.

LEGAL NOTICE

David Roberts Son & Co (Bottle) Limited
(In Receivership) Est 1830

Specialist construction timber company assets for sale comprise stock, plant, contracts and goodwill

The business operates from Liverpool with approximately 20 employees.

Turnover 1990 £2.9 million

INSOLVENCY SERVICES

BAKER TILLY

Brazennose House, Lincoln Square Manchester, M2 5BL
Tel: 061-834 5777 Fax: 061 835 3242

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

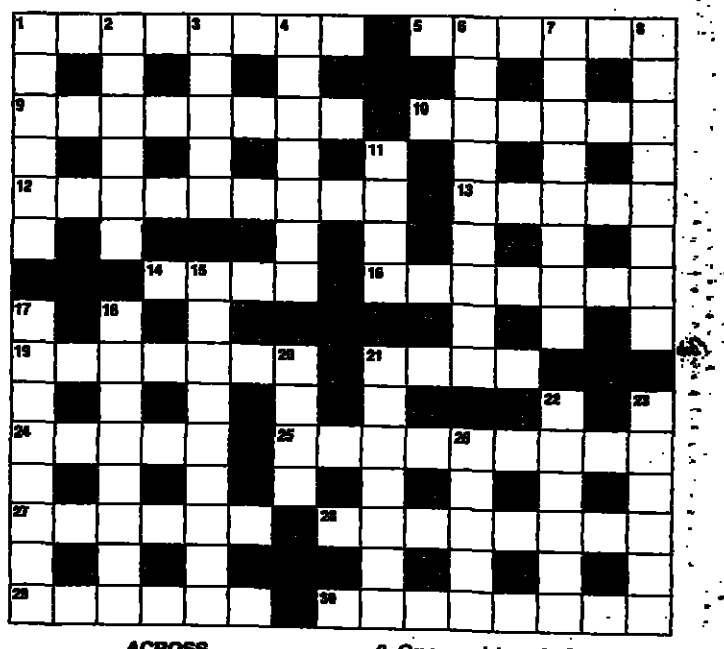
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,473 Set by QUARK



ACROSS

1 and 9 Fully aware of the risk we see in honey pots cracking (4,4,4,4)
5 To remove from position would be a record in medicine (6)
9 See 1 across
10 The way a good man goes round the plant (6)
12 Go in after fish and chips (9)
13 One who builds up the degree issue (5)
14 Character often seen in play (4)
16 Mess endlessly includes meat in stew: could be this? (3,4)
19 Could be a failure, but a good one yields plenty (7)
21 Leave a bit (4)
24 What's the matter? Is the girl following? (5)
25 Sign of hesitation in the club restaurant (9)
27 Mount one artist's unusual art (6)
28 and 30 Handing out money freely for error in court? (8,2,1,5)
29 Property set shattered by a heartless article (6)
30 See 28

DOWN

1 Architect on church showing pull (6)
2 Proposal could be explosive if embraced by politician (6)
3 Ring the region for gas (5)
4 Thrown out, sad, lost capital (7)
6 One making judgment to cook item with roast (9)
7 Supervises sounds abroad (8)
8 Confuse hatless gent with crook (8)
11 Expert in marble? (4)
15 When upset, spoilt the plan in play (5,4)
17 Play beginning to tax English to get going (8)
18 Regular tricks beat beginner in tennis (8)
20 When worn, could be a right honour (4)
21 Recognise old boy coming up, given to humour (7)
22 Our MO left – prepared for decoration in the House? (6)
23 Could contain or be made of china (3,3)
26 Sort of life in the supermarket (5)

Solution to Puzzle No.7,472

DISHED STRESS
STOMACH BELISHA
PREVALENCE OARS
BURST ENTRENCH
RHETORIC ANGEL
IVAN TIMBERLINE
TOURIST DICTATE
ROLLER EDWARD

WORLD STOCK MARKETS

CANADA

TORONTO

3:00 pm prices February 18

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
2400	Abitibi Pr	$14¾	14¾	14¾	
40900	Air Cda	u$9¾	9½	9⅝	+⅛
5300	AlbNtGas	$14¾	14½	14¾	+¼
87400	Alcan Al x	$26⅞	26⅝	26¾	+½
120500	Am Barr	$23⅛	22⅝	23⅛	+⅛
95600	Bk Montr'l	$34¼	33¾	34⅛	+¼
338300	Bk Nova Sc	u$15	14⅝	14⅞	+⅛
3900	BC Sugar A	$15¼	15	15⅛	+⅛
11000	Belmoral	12	12	12	+1½
2400	BGR A	$7¼	7⅛	7⅛	−⅛
29800	Bomb'dierB	$17	16⅞	17	+⅛
8900	Bow Valley	$13⅞	13⅝	13⅝	+⅛
6900	BP Canada	$16¼	16	16	+¼
86100	Bramalea	u$8⅞	8⅝	8⅞	+½
81700	Brascan A	$18⅛	17⅞	18⅛	+⅛
10600	Breakwater	53	48	50	
21600	BC Tel	$20⅜	20⅛	20¼	−⅛
3000	Brunсor	$17⅞	17¾	17¾	
1700	Brunswick	u$9	9	9	
233700	CAE Ind	u$6	5½	6	+⅛
23800	Cambior	$9¾	9⅝	9¾	
2100	Cambridge	$27⅛	26¾	26¾	−½
1100	C'bell Res	36	36	36	+1
44400	Campeau Cp	48	45	45	−4
4000	Can Nor'w	45	44	44	−1
7300	Can Occid	u$14⅞	14¾	14⅞	+⅛
136000	Can Pac	$22¾	22¼	22⅝	+½
55500	Can Packer	$13¼	13⅛	13⅛	−⅛
2300	Can Util A	$20⅝	20½	20⅝	+⅛
400	Can Util B	$20⅞	20⅞	20⅝	−¼
1000	Canamax	38	38	38	−1
6400	Cantor	$23¾	23¾	23¾	+⅛
13600	Cara Op	$16½	16¼	16¼	−⅛
52000	Carena Dev x	u$15½	14¼	15½	+1¼
2000	Cascades	450	450	445	−6
1200	Cntrl Cap	$7¾	7⅝	7⅝	−¼
12100	Cineplx Odn	305	295	300	−5
2300	Cntrl Fd A	460	455	455	
28600	Cominco	u$25¾	25	25⅝	+½
1000	Coputolog	260	260	260	+10
200	Consum Gas	$33¼	33¼	33¼	
435300	Corona Cp	u$5⅛	4⅞	4.98	+0.05
64700	CrownX A	u385	370	375	+5
500	Denison A	u70	68	70	+2
64300	Dofasco	u$20½	20	20½	+¼
5100	Domin Txt	$7⅛	7⅛	7⅛	
389800	Domtar Inc	$9⅝	9¼	9⅝	+⅛
4000	Du Pont A	u$27	27	27	+¼
27200	Echo Bay M	$9½	9¼	9⅜	+¼
3600	Emco Ltd	400	380	380	+10
3000	Empire	u$12¼	11¾	12¼	+½
11200	FPI Ltd	$6⅝	6¾	6⅝	
2000	Finning	$14⅜	14⅛	14¼	
2000	Fst Mara A	$9	9	9	
7600	Fortis	u$23¼	23	23¼	+¼
3300	Four Seasn	$16⅝	16¼	16⅜	−⅛
28000	FrancoNev	$15¼	15¼	15¼	−⅛
1000	Galactic	82	82	82	−4
400	Gnl Ykn...	$5⅛	5⅛	5⅛	
700	Giants Gld	270	255	255	
3500	Granges	153	151	153	−2
5600	GtW Lfeco	$14⅞	14¾	14¾	−⅛
13700	Gulf Cda R	$9¾	9⅝	9⅝	
100	GW Utils	$27¾	27¾	27⅞	+⅛
2700	HarrisSt A	u490	475	490	
300	Hawker Sld	u$26	25¾	25¾	−⅜
36500	Hees Intl	u$19⅜	19	19¼	+¼
25200	Hemlo Gold	$9½	9⅜	9½	−¼
5800	Hollinger v	u$14½	14½	14½	
68200	Horsham	u$9⅝	9⅜	9⅜	−⅛
500	HudsBayM&S	500	485	500	+20
10000	HudsonsBay	$26⅜	26¼	26⅜	+⅛
24300	Imasco x	$28⅝	28¼	28½	
43900	Imp Oil A	$59⅞	58⅝	59⅛	+¼
112000	Inco	$36¾	36⅜	36½	+⅜
2100	Interhome x	$48⅝	48⅝	48⅝	+⅛
1200	Invest Grp	$27	27	27	−¼
400	Jannock	$14¾	14¾	14¾	
600	KerrAddis	$15¼	15¼	15¼	
87100	Lac Mnls	$8⅞	8⅝	8⅝	−¼
200	Lafarge x	$17	17	17	
6100	Laidlaw A	$21⅝	21⅛	21½	
341800	Laidlaw B	$21½	21⅛	21⅜	+⅛
1100	Laurentl Bk	$16⅝	16⅝	16⅝	+¼
1500	Laurent Gp	u$6⅞	6½	6¾	
8600	Lawson Mar	$9⅞	9⅞	9⅞	−⅛
6500	Loblaw	$18½	18¼	18¼	−¼
65200	Mackenzie	u$8⅝	8½	8½	
194800	Magna IntA	495	485	490	
20400	Markt T&T	u$19¾	19½	19⅝	
2400	Mark Res	$8	7⅞	8	+¼
2000	MDS Hlth B	$15¾	15¾	15¾	
600	Memotech	u$8⅝	8⅝	8⅝	
1800	Metall Min	$12½	12½	12½	
18200	Mitel Corp	144	142	144	+2
30300	Molson A	u$39⅝	39¼	39½	+¼
31500	Moore Corp	u$29⅞	29⅝	29⅞	+¼
40700	Musocho	7	6½	6½	
238200	Nat Bk Can	$9½	9¼	9⅜	
5300	Noma Ind A	u$7	6¾	6⅞	−⅛
56800	Noranda x	$18½	18⅛	18¼	−⅛
2500	Norcn8.12 x	$24⅝	24⅝	24⅝	
3100	NorcnMng x	$23¼	23¼	23¼	
59800	Nth Tele	u$35¾	35¼	35¾	+½
4500	Northgate	130	130	130	−2
185800	Nova Corp	$9¼	9⅛	9¼	
15600	Nowsco WSv	$14¾	14⅜	14⅜	
2400	Numac Oil	$8¾	8¾	8⅝	
14100	Onex Corp	$8⅝	8½	8½	
23700	Oshawa A	u$35½	34¾	35¼	+¼
301300	PWA Corp	u$9¼	8⅞	9⅛	
18900	Pagurian A	$6⅞	6¼	6¼	
500	Pamour Inc	50	50	50	
5400	Pancdn Pet	$32	31½	32	+½
2300	Pegasus	$13⅝	13⅜	13⅝	+⅛
22800	Pioneer Mt	12	10	12	+3
60300	PlacerDome	$16⅞	16½	16⅞	+¼
3400	Poco Pet	$7⅛	7	7	
39800	Power Corp	u$18	17⅝	18	+⅜
3400	Power Fin	$20	19⅞	20	+⅛
100300	Provigo	$11½	11¼	11¼	−⅛
37900	Ranger Oil	$7¾	7½	7⅝	
200	Rayrock	$7⅝	7⅝	7⅝	−⅛
27800	Ren'ssance	$16⅛	15⅞	16	
4400	Repap Ent	u$7½	7⅜	7½	+⅛
3000	Rio Algom	$19⅝	19⅜	19⅝	+⅛
211100	RoyalBkCan	$25	24¾	24⅞	
616000	RylTrustco	$8⅛	7⅞	8	
1600	StLawrCm A	$13¾	13⅛	13⅛	−⅛
19000	Sceptre Rs	375	365	365	−10
1400	ScottPaper	u$17½	17¼	17¼	
4800	Scotts Hos	$16½	16¼	16½	
11300	Seagram Co	u$108⅞	108⅞	108⅞	+⅞
8300	Sears Can x	$10⅝	10⅛	10½	+¼
4300	ShellCan A	$40	39⅝	39¾	−⅛
51300	Sherritt G	u$8	7⅞	8	+¼
22300	SHL Syst	$6¼	5⅞	5⅞	−⅛
2300	SNC Group	$14⅛	14⅛	14⅛	
1600	Sonora Gld	25	25	15	
23700	Southam	u$20⅞	20⅜	20⅞	+½
7100	Spar Aero	$13	12¾	13	+¼
55400	Stelco A	$10¼	9⅝	10⅛	+⅛
81500	Teck B	u$22	21¾	21⅞	
87700	Thomson x	$17	16⅞	16⅞	−⅛
189700	Tor Dom Bk	u$19⅝	19⅛	19½	+⅜
14900	Torstar B	$27⅛	26⅞	27	−⅛
3100	TotalPMAm x	u$25⅝	25⅝	25⅝	+¼
306900	Transcan P	u$17⅝	17	17⅛	+⅛
146200	Trilon A	$11¾	11⅝	11¾	+⅛
46200	Trimac	$7⅜	7¼	7⅜	
54000	Trizec A	u$17⅛	16⅝	17⅛	+½
1300	Unicorp A	60	55	55	+0
200	Union Carb	$18½	18½	18½	
114600	Varity Cp	297	293	295	+1
400	Viceroy Rs	425	425	425	
12000	W'coast E	$20¾	20¼	20¾	+⅝
2400	Weston Geo	u$45	44⅝	45	+½
1100	WIC B	$13⅜	13¼	13⅜	+⅛

† - No voting rights or restricted voting rights

MONTREAL

3:00 pm prices February 18

Sales	Stock	High	Low	Close	Chng
40400	BombrdierB	$17	16⅞	17	+⅛
5700	Cambior	$9¾	9⅝	9¾	+⅛
5100	Cascades	465	445	450	
7700	DominTxt A	$7¼	7⅛	7⅛	
26100	Macmillan x	$19¼	19	19⅛	
2300	Memotec	u$8⅞	8⅝	8⅞	+¼
118400	NatBk Can	$9½	9¼	9⅜	
9700	Provigo	$11⅜	11¼	11⅜	
1700	Quebecor A	$18¼	18¼	18¼	
3900	Videotron	$13⅞	13⅝	13¾	

Total Sales 7,424,900 shares

INDICES

NEW YORK

DOW JONES	Feb. 15	Feb. 14	Feb. 13	Feb. 12	1990-91 HIGH	1990-91 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	2934.65	2877.23	2909.16	2874.75	2999.75 (16/7/90)	2365.10 (11/10/90)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	94.86	94.65	94.60	94.54	94.86 (15/2/91)	88.44 (24/9/90)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	1119.18	1097.85	1112.83	1111.42	1212.77 (6/6/90)	821.93 (17/10/90)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	215.48	214.79	217.05	217.18	236.23 (2/1/90)	190.96 (24/8/90)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 2947.28 (2942.08) Low 2868.07 (2852.48)

STANDARD AND POOR'S	Feb. 15	Feb. 14	Feb. 13	Feb. 12	1990-91 HIGH	1990-91 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	369.06	364.22	369.01	365.50	369.06 (15/2/91)	295.46 (11/10/90)	369.06 (15/2/91)	4.40 (1/6/32)
Industrials	435.43	429.49	434.97	430.76	437.37 (16/7/90)	346.86 (11/10/90)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	28.68	28.22	28.80	28.50	31.87 (3/1/90)	18.80 (29/10/90)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	201.29	198.92	201.18	199.43	201.29 (15/2/91)	162.20 (11/10/90)	201.29 (15/2/91)	4.46 (25/4/42)
Amex Mkt. Value	342.73	340.80	342.94	340.65	382.45 (5/1/90)	288.07 (30/10/90)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	448.71	444.31	447.97	443.98	469.60 (16/7/90)	325.44 (16/10/90)	485.73 (9/10/89)	54.87 (31/10/72)

	Feb. 8	Feb. 1	Jan.25	year ago (approx.)
Dow Industrial Div. Yield	3.57	3.70	3.88	4.09

	Feb. 13	Feb. 6	Jan.30	year ago (approx.)
S & P Industrial div. yield	2.91	3.01	3.20	3.09
S & P Indl. P/E ratio	17.89	17.39	16.58	14.23

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Philip Morris	3,690,800	62	+ 1¾
Boeing	3,302,400	49	+ 1
Gen. Electric	3,191,200	69⅝	+ 2¼
Pepsico	2,907,000	32	+ ¼
Wal-Mart	2,860,000	37⅛	+ 1¼
IBM	2,738,900	137⅜	+ 2⅜
Exxon	2,442,900	53⅜	- ⅜
AT & T	2,400,100	34⅜	+ ½
Am. Express	2,338,500	26⅞	+ ⅝
Nabisco RJ	2,291,000	7⅛	- ⅛

TRADING ACTIVITY

† Volume Millions	Feb. 15	Feb. 14	Feb. 13
New York	222.370	238.750	209.960
Amex	15.572	18.127	16.528
NASDAQ	195.034	191.673	176.578
Issues Traded	2,040	2,032	2,041
Rises	1,173	607	1,042
Falls	470	1,034	558
Unchanged	397	391	441
New Highs	97	152	129
New Lows	2	1	3

CANADA

TORONTO	Feb. 15	Feb. 14	Feb. 13	Feb. 12	1990-91 HIGH	1990-91 LOW
Metals & Minerals	3177.95	3166.26	3209.39	3169.40	3453.05 (4/1/90)	2486.60 (8/11/90)
Composite	3506.55	3492.25	3519.24	3504.78	4009.47 (3/1/90)	3009.91 (16/10/90)
MONTREAL Portfolio	1867.39	1864.26	1882.70	1880.34	2060.90 (3/1/90)	1607.24 (16/10/90)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb. 18	Feb. 15	Feb. 14	Feb. 13	1990-91 HIGH	1990-91 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1399.3	1376.6	1372.9	1378.1	1713.7 (12/1/90)	1204.5 (16/1/91)
All Mining (1/1/80)	607.5	600.1	600.7	604.1	860.8 (5/1/90)	561.6 (16/1/91)
AUSTRIA						
Credit Aktien (30/12/84)	490.16	479.83	459.07	451.40	703.29 (19/3/90)	393.54 (16/1/91)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5406.21	5320.18	5252.18	5241.41	6599.43 (12/1/90)	4664.84 (16/1/91)
DENMARK						
Copenhagen SE (3/1/83)	341.69	335.95	329.27	327.83	388.29 (20/7/90)	302.26 (8/1/91)
FINLAND						
Unitas General (1975)	381.7	378.4	372.9	370.8	677.3 (23/1/90)	348.4 (9/1/91)
FRANCE						
CAC General (31/12/82)	444.80	440.34	437.99	432.67	564.62 (30/5/90)	394.88 (15/1/91)
CAC 40 (31/12/87)	1694.96	1670.39	1652.68	1635.84	2129.32 (20/4/90)	1441.17 (14/1/91)
GERMANY						
FAZ Aktien (31/12/58)	658.84	638.99	637.51	632.21	832.32 (19/7/90)	569.69 (28/9/90)
Commerzbank (1/12/53)	1877.7	1818.5	1812.9	1796.2	2414.0 (3/4/90)	1612.5 (15/1/91)
DAX (30/12/87)	1572.57	1531.19	1486.52	1489.41	1968.55 (30/3/90)	1322.68 (16/1/91)
HONG KONG						
Hang Seng Bank (31/7/64)	3473.42	(c)	(c)	3412.66	3559.89 (23/7/90)	2738.24 (1/2/90)
IRELAND						
ISEQ Overall (4/1/88)	1304.91	1278.42	1268.07	1260.39	1893.10 (22/1/90)	1114.86 (25/1/91)
ITALY						
Banca Com. Ital. (1972)	570.38	553.50	547.43	537.23	763.52 (14/6/90)	486.26 (29/1/91)
JAPAN						
Nikkei (16/5/49)	26230.01	25343.74	25356.37	25139.47	38712.88 (4/1/90)	20221.86 (1/10/90)
Tokyo SE (Topix) (4/1/68)	1954.81	1896.04	1898.47	1879.48	2867.70 (4/1/90)	1523.43 (1/10/90)
2nd Section (4/1/68)	2935.24	2852.30	2837.41	2801.43	4477.16 (16/7/90)	2499.15 (29/1/91)
MALAYSIA						
KLSE Composite (4/4/86)	545.96	(c)	(c)	527.60	632.22 (1/8/90)	459.08 (28/9/90)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	244.8	242.9	240.6	239.0	271.9 (20/7/90)	221.4 (16/1/91)
CBS All Shr (End 1983)	179.0	177.6	175.9	174.8	206.3 (3/1/90)	162.3 (16/1/91)
NORWAY						
Oslo SE (Ind) (2/1/83)	673.86	676.74	680.58	673.71	915.13 (2/8/90)	610.45 (21/1/91)
PHILIPPINES						
Manila Comp (2/1/85)	885.10	874.71	862.48	866.01	1160.70 (21/3/90)	514.80 (5/10/90)
SINGAPORE						
SES All-Singapore (2/4/75)	376.48	(c)	365.24	359.57	446.87 (16/7/90)	301.45 (11/10/90)
SOUTH AFRICA						
JSE Gold (28/9/78)	1038.0	1056.0	1044.0	1036.0	2230.0 (16/1/90)	976.0 (6/2/91)
JSE Industrial (28/9/78)	3199.0	3178.0	3144.0	3114.0	3211.0 (6/2/90)	2640.0 (1/10/90)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	674.09	(c)	(c)	644.91	928.82 (4/1/90)	566.27 (17/9/90)
SPAIN						
Madrid SE (30/12/85)	256.98	254.08	247.16	245.64	309.74 (16/7/90)	209.37 (28/9/90)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	993.7	985.9	964.7	965.5	1329.9 (5/7/90)	808.4 (8/1/91)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(u)	676.0	668.7	666.4	845.5 (13/7/90)	590.4 (14/1/91)
SBC General (1/4/87)	(u)	574.2	567.9	566.8	698.2 (13/7/90)	487.1 (14/1/91)
TAIWAN**						
Weighted Price (30/6/66)	(c)	(c)	(c)	(c)	12495.34 (10/2/90)	2560.47 (1/10/90)
THAILAND						
Bangkok SET (30/4/75)	821.21	774.52	766.24	753.66	1143.78 (25/7/90)	544.30 (30/11/90)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	524.1*	517.6	516.0	516.6	571.0 (4/1/90)	423.1 (28/9/90)

**Saturday February 16: Taiwan Weighted Price: (c). Korea Comp Ex. (c).
& Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday 18 February 1991

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	68.9m	514	+29
M'bishi Heavy	56.2m	849	+41
M'bishi Mtrls	33.1m	835	+50
Hitachi	32.0m	1,340	+70
M'sui Shpbldg	31.8m	630	+41
Toshiba	30.4m	890	+62
NKK	26.8m	455	+24
M'bishi Elec	25.3m	800	+46
Chiyoda Corp	23.4m	2,850	+180
Furukawa Elec	18.7m	845	+49

EUROPE

Bourses rise on hopes of peace and easier credit

BOURSES ROSE yesterday as hope became belief, both on interest rates and Gulf peace prospects. Opening 9.13, or a *little more than* 1 per cent higher, the FT-SE Eurotrack 100 index hit 1,047.23, up 22.37, in the post-bourse, *writes Our Markets Staff.*

FRANKFURT added a rise of 2.7 *per cent* to the 3 per cent improvement that it registered last Friday, the DAX index closing 41.38 higher at 1,572.57, after a 19.85 gain to 658.84 in the FAZ at midsession. Volume stayed high by recent standards, easing from DM9.3bn to DM9.2bn.

Mr Hans von Haza, of the Dresdner Bank, said that sentiment was initially nervous, but that small orders in an illiquid market moved stocks such as Metallgesellschaft, DM20 higher at DM460. The mood spread to selected leaders such as Volskwagen, which closed DM18 higher at DM373, and other blue chips.

Financials were strong on the recent gains in the bond market, Allianz rising DM98 to DM2,548 and Bayernhypo up DM17 at DM369. Cyclicals such as motors and chemicals mostly followed suit: BASF rose DM11 to DM239.50 and a further *DM1.50 to DM241* in London in afternoon trading.

Dresdner thinks that the bourse rise might be suspect, *that investment managers* left behind by the rally which has coincided with the Gulf war may be "trying to jump on to a moving train", according to Mr von Haza.

The bank bases its caution on the German reunification financing requirement, the costs of the Gulf War, and the worries that higher consumer taxes will be raised to pay these bills.

PARIS remained optimistic as the bond futures market continued to strengthen. The CAC 40 index ended 24.57 or 1.5 per cent higher at 1,694.96, after crossing the 1,700 level temporarily to a peak of 1,701.69. In the absence of Wall Street, trading calmed down in the afternoon, but turnover remained good at about FFr2.3bn, down from FFr3.7bn.

The big blue chips were in demand: Alcatel Alsthom rose FFr12 to FFr581 with 336,700 shares exchanged. Car stocks were also strong: Peugeot gained FFr23 or 4.8 per cent to FFr505; Michelin, the tyremaker, added FFr3.80 or 4.7 per cent to FFr84.20; and Valeo, the components manufacturer, rose FFr26 or 7.1 per cent to FFr394.

Those stocks hard hit by the Gulf war, such as the leisure sector, continued to recoup their losses. Accor gained FFr37 or 5.3 per cent to FFr738 and Club Mediterranée rose FFr19 or 4.3 per cent to FFr459.

WALL STREET was closed yesterday for Washington's birthday.

Toronto stocks continued their upward trend although trading was curbed by the holiday in the US. At midsession the composite index gained 22.6 to 3,528.6. Advances led declines by 254 to 149 on volume of 9.8m shares.

MILAN rose for the 11th consecutive session as domestic investors were encouraged by signs that the controversial capital gains tax would be reduced. The Comit index put on 16.88 or 3 per cent to 570.38 in volume *estimated at slightly* below Friday's L279bn.

Generali continued to rise, adding L1,140 or 3.3 per cent to L35,340, on weekend newspaper reports that it planned to link up with Toro, the insurance company controlled by the Agnelli family.

Eridania, the sugar, edible oil and starch company majority-owned by Ferruzzi, rose L314 to L7,503 amid rumours that it was planning a rights issue.

AMSTERDAM rose for the fourth day in a row. The CBS Tendency index closed 1.1 *points or 1.2 per cent higher* at 87.9 in turnover of Fl 786m.

The financial sector was in the limelight again on renewed speculation that ABN Amro, the bank, planned to link up with Aegon, the insurer, in a counter bid for Nat-Ned, which has agreed to merge with NMB Postbank. Nat-Ned rose Fl 2.10 to Fl 56.40.

CSM, the sugar refining and processed food group, eased 30 cents to Fl 81.90 after the company said that margins were under pressure due to higher labour costs and that earnings growth would slow this year.

ZURICH looked for a continued fall in domestic interest rates as well as an end to the Gulf war. Banks and industrials led the market higher as the Crédit Suisse index rose 6.6 to 525.0, Brown Boveri gaining by SFr100 to SFr4,420.

Adia bearers fell SFr50 to SFr750 following reports that the sale of 53 per cent of the company to an arm of the German retailer, Asko, was running into difficulties.

MADRID retained its upward momentum, the general index gaining 4.84 or 1.9 per cent to 256.87. Turnover remained heavy at about Pta18bn, after Pta19.3bn on Friday. Mr Carlos Solchaga, the *finance minister*, was reported as forecasting a cut in interest rates by the summer if wage agreements were moderate.

Repsol closed Pta40 higher at Pta2,520, after recovering from a low of Pta2,455; the oil group reported a 5.1 per cent rise in 1990 net profits.

STOCKHOLM was initially easier after Friday's gains but recovered as the session progressed. The Affärsvärlden General *index* reached a *high for the year at* 993.7, up 7.8, in turnover of SKr371m after Friday's heavy SKr654m. Atlas Copco, the industrial engineering group, recovered partly from last week's losses. The free Bs rose SKr12 to SKr190.

BRUSSELS saw a late flurry of activity in Société Générale de Belgique, which rose 6.1 per cent or BFr125 to BFr2,170. Dealers expected an announcement today. The cash market index rose 86.03 or 1.6 per cent higher to 5,406.21.

ISTANBUL's rally in heavy volumes continued, with the 75-share index jumping 341.16 *or 7 per cent to 5,245.23 in turnover* of TL190bn, up from TL186bn. LISBON's BTA index rose 47.6 to 2,260.9.

SOUTH AFRICA

THE takeover battle for Allied continued to grab Johannesburg's attention. Some 1.3m Allied shares changed hands after more than 8m on Friday. Allied closed 22 cents lower at R2.68. The overall share index rose 16 to 2,755.

ASIA PACIFIC

Nikkei highest since August in heavy trade

Tokyo

FRIDAY's gains on Wall Street and hopes of an early end to the Gulf war took Japanese share prices up by 3.4 per cent in very heavy volume, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed 886.27 stronger at the day's high of 26,230.01, passing the 26,000 level for the first time since August 21 last year. Prices climbed from the start on buying orders from both foreign and domestic investors, after opening at the session's low of 25,378.39.

Volume reached 1.2bn shares, its best since December 6, 1989. Gains overwhelmed declines by 1,050 to 59, with 34 issues unchanged. The Topix index of all first section stocks forged ahead 58.77 to 1,954.81. In London the ISE/Nikkei 50 index gained 8.93 to 1,526.58.

Futures prices also soared, with the June Nikkei 225-share futures rising the daily limit of 900 points to 26,880.

Mr Yoichi Kamina, director and general manager of Japanese equity sales at S.G. Warburg Securities said investors were rolling over their positions in March contracts into June contracts. He added: "This is good news for the market as it lowers the possibility of arbitrage unwinding depressing the cash market."

Mr Masami Okuma at UBS Phillips & Drew said investors focused on electrical and precision issues which have lagged behind the market. "Many investors are trading by chart movements" he added.

Hitachi rose Y70 to Y1,340 and Toshiba added Y62 at Y890. High-priced electricals were also higher, with TDK up Y450 to Y5,300 and Sony advancing Y270 to Y7,090.

Interest rate-sensitive stocks firmed on rumours of weak money supply growth. Nippon Steel moved ahead Y29 to Y514 and *Mitsubishi* Heavy Industries Y41 to Y849.

Companies expected to benefit from reconstruction in the Gulf advanced. Chiyoda, the plant engineering firm, put on Y180 to an all-time high of Y2,850, and Takuma, a water treatment plant manufacturer, rose by its daily limit of Y200 to Y1,410. Toyo Constructions, which specialises in harbour civil engineering, gained Y77 to Y847 and Shimizu Construction Y50 to Y1,660.

Fukusuke, the underwear maker, climbed the day's limit of Y250 for the sixth consecutive day to Y5,000. The issue has fluctuated recently in speculative trading, in spite of restrictions imposed by the Tokyo Stock Exchange on February 5. The TSE said yesterday that the price fluctuation limit will be cut to Y200 from Y250, and the minimum margin requirement will be raised to 80 per cent from 70 per cent.

Nitto Flour Milling appreciated by its daily limit of Y200 to Y1,450. Traders said a fried chicken fast food company was *buying the shares.*

In Osaka, the OSE average advanced 858.46 to 28,633.27, moving above the 28,000 level for the first time since November 5. The index rose for the tenth consecutive day, in volume of 168.4m shares, against 82.8m on Friday.

Roundup

MANY markets in the Pacific Rim reopened on a bullish note yesterday after last week's Chinese lunar holidays.

HONG KONG climbed in heavy trading after the holidays on Thursday and Friday. The Hang Seng index rose 60.76 or 1.8 per cent to 3,473.42, its best finish since July 27 last year, but was off the day's high of 3,488.80. Turnover swelled to HK$1.89bn from last Wednesday's HK$1.45bn.

SEOUL rose sharply on hopes of peace in the Gulf. The composite index closed at 674.09, up 29.18 or 4.5 per cent from Wednesday, after strong trading volume of Won237.8bn.

NEW ZEALAND's rally ran *out of steam* in the afternoon. The Barclays index rose 29.59 to 1,404.29, but turnover fell to NZ$8.16m from NZ$17.10m.

SINGAPORE advanced to a six-month high on heavy foreign buying. The Straits Times Industrial index jumped 38.43 or 2.9 per cent to 1,378.13, its highest since last August, in turnover of S$321m. In KUALA LUMPUR the composite index moved up 18.36 or 3.5 per cent to 545.96 in active turnover of 193.9m shares, the largest since *February* 1990, after Wednesday's 84.7m.

MANILA finished off the day's peak. The composite index rose 10.39 to 885.10 in turnover of 125.6m pesos, down from *131.96m.*

AUSTRALIA rose on short-covering ahead of the expiry of options. The All Ordinaries index added 22.7 at 1,399.3, the best level since October 2 and *just down from* the day's peak of 1,401.1. Turnover jumped to A$265m from A$175m. Activity was boosted by the sale of about 80m shares in Burswood Property Trust between 80 to 85 cents a share.

BANGKOK's index climbed 46.69 to 821.21 in turnover of 6.97bn baht. About 60 per cent of the issues were traded at 10 per cent limit highs.

Prospects of lower rates stoke world rally

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1991	Start of 1991	Start of 1991
Austria	+11.89	+13.28	−25.37	+7.04	+6.48	+8.69
Belgium	+4.00	+9.27	−8.40	+9.33	+9.24	+11.50
Denmark	+3.26	+9.17	−8.62	+11.28	+10.99	+13.30
Finland	+10.34	+16.61	−31.21	+8.36	+7.45	+9.67
France	+3.00	+7.63	−12.73	+9.10	+8.16	+10.41
Germany	+3.24	+6.92	−18.10	+6.33	+5.53	+7.71
Ireland	+4.64	+11.64	−25.65	+8.19	+7.64	+9.87
Italy	+6.97	+8.32	−19.89	+7.70	+7.31	+9.55
Netherlands	+3.79	+6.66	−7.94	+5.86	+5.20	+7.38
Norway	+5.66	+10.33	−20.18	+2.28	+2.16	+4.28
Spain	+4.61	+12.05	−10.08	+12.87	+14.71	+17.09
Sweden	+1.15	+9.14	−11.47	+12.16	+11.92	+14.24
Switzerland	+5.35	+14.01	−12.42	+11.56	+10.00	+12.28
UK	+2.89	+9.93	−2.19	+7.30	+7.30	+9.52
EUROPE	+3.54	+9.17	−9.51	+7.91	+7.58	+9.80
Australia	+2.84	+9.43	−13.16	+8.33	+8.56	+10.81
Hong Kong	+2.58	+12.71	+16.21	+14.15	+11.98	+14.29
Japan	+4.63	+8.45	−30.39	+9.90	+12.00	+14.31
Malaysia	+1.44	+8.90	−9.17	+3.91	+2.38	+4.50
New Zealand	−0.13	+12.09	−27.26	+13.06	+14.19	+16.54
Singapore	+3.94	+12.32	−14.13	+13.70	+13.21	+15.56
Canada	+1.81	+8.46	−4.90	+6.26	+4.65	+6.61
USA	+2.66	+11.24	+10.20	+12.03	+9.75	+12.03
Mexico	+0.56	+6.33	+75.23	+3.60	+1.14	+3.24
South Africa	+2.52	+5.15	−15.03	−0.01	+1.97	+4.08
WORLD INDEX	+3.53	+9.66	−11.75	+9.99	+9.73	+12.00

† Based on February 15th 1991.

By Jacqueline Moore

THE DESIRE to buy, which is puzzling some analysts in its intensity, pushed global stock markets higher for the fifth week in a row last week. The FT-Actuaries World Index gained another 3.5 per cent, taking its advance since January 11 to 13 per cent.

Strong bond markets and hopes of easier credit kept the equity rally running. "There was also a large backlog of pent-up buying," says Mr Adrian Phillips, head of European research at Kleinwort Benson.

Many observers are sceptical about how long the advance can keep going. As Mr Phillips says: "This is the sort of moment when you feel very cowardly indeed." On the negative side, the corporate earnings outlook for 1991 remains fairly poor, he says – but the cautious investor runs the risk of missing out on a further rally if there is a big movement downwards in interest rates. There is also the risk that "the inexplicable trend might continue for inexplicable reasons."

Ms Vanessa Rossi of Swiss Bank Corporation says, in her weekly note on European equities, that the present wave of enthusiasm and buying of cyclical stocks could be interpreted as a belief in a new bull market in anticipation of economic recovery in the US. Whether this belief is soundly based or not, the markets look ready for a breather in the very short term, she says.

One of the week's best performers was Japan, which jumped 4.6 per cent in local currency terms in active trading. The market, which was shut on Monday, took heart *from Wall Street's strength* and from hopes of lower interest rates. Average daily volume shot up to 960m shares last week, compared with an average 280m shares a day last month.

The best rises on the week were in Europe, where Austria leapt 11.9 per cent, Finland rose 10.3 per cent and Italy gained 7 per cent, all in local currency terms.

The Viennese bourse was encouraged by the strength of Frankfurt and other foreign markets, says Mr Gregor Pozniak, a securities analyst at Creditanstalt, the Austrian bank. All the negative factors had been discounted, he adds, so "the only way out was up".

Most of the action last week was accounted for by foreign investors. Mr Pozniak expects the domestic, private investors to follow them into the market for a day or two, but adds that there could be some profit-taking soon. The steepness of last week's rise was due mainly to a lack of stock, he says.

Finland, which was one of the worst performing markets last year, has *also benefited from a revival in* foreign interest, says Mr David Longmuir of James Capel. Demand focused on individual stocks, but has also extended to bombed-out cyclicals, such as the paper industry.

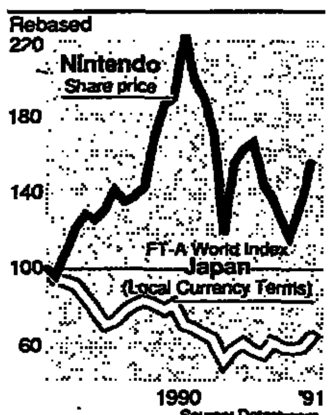
Italy, meanwhile, enjoyed a buoyant end to the monthly trading account; the new account began on Friday. Generali, the insurer, continued to give the market momentum, rising 11.5 per cent on the week amid a flood of takeover and stakebuilding rumours.

Nintendo rating hinges on new product

The shares have tumbled from their 1990 peak, says Emiko Terazono

INVESTORS have seen it all before. Shares in toymakers soar when one of their products becomes a hit but the popularity of the product – Cabbage Patch doll or computer game – seems to fade as quickly as it rose, taking the company's profits and share price with it.

Over the past month, people have been asking whether Nintendo, the video game phenomenon, could be the latest victim of this syndrome. Early in January its shares had fallen 51 per cent below their August 1990 peak, while the Tokyo market lost 20 per cent in the same period.



Source: Datastream

Its current main product, Famicon (NES in the US), appears to be losing appeal and the successor, Super Famicon, is hitting markets at a difficult time. The cartridge-based computer games which run on the Famicon include the Super Mario Brothers series, featuring the character of a plumber from Brooklyn.

Mr Nizam Hamid at UBS Phillips & Drew expects a 10 *per cent decline* in pre-tax earnings for the year ending March 1992. "People are too optimistic about the Super Famicon," he says. He adds that retailers in the US are under pressure to cut prices.

Mr Boris Petersik at Barclays de Zoete Wedd points out that the cost of the product change from Famicon to Super Famicon will hold back Nintendo's profits, with its effects lasting for at least a year. "The product change will force Nin*tendo to concentrate on* hardware sales, which have thinner [profit] margins than software," he says. Mr Petersik forecasts that this could last for at least a year, depressing Nintendo's pre-tax profits by 20 per cent for fiscal year 1991.

But Mr Hiroshi Yamauchi, president of Nintendo, points out that US sales in January did not fall and he does not expect them to do so in coming months. "Even if sales in the US remain flat in the third quarter, growth in sales will come in the fourth quarter due to the new model," he said in a recent interview with the Financial Times. The company was still expecting a 15 per cent rise in total sales this year as well as a rise in profits.

Mr Yamauchi is not alarmed by brokers' gloomy forecasts: "Analysts can only see a company from the outside. If it is a choice between a forecast by an outsider and the company itself, one should consider who knows the company better."

Other analysts say that Nintendo seems to be learning from the mistakes that Atari made. The US company was hurt by a flood of poor quality software. It also failed to develop new hardware and continued to rely on the models with only simple functions.

Meanwhile, Nintendo looks to Europe as its next big market. It set up a European subsidiary in Frankfurt last year to strengthen marketing in the region. This year it expects more than 10 per cent of its sales to be made in Europe, while the US share will drop to about 50 per cent.

Mr Chuck Goto, an analyst at S.G. Warburg in Tokyo, agrees that the pessimism about Nintendo is overdone. "Nintendo's video games are established as entertainment rather than a mere toy," he remarks. He adds that the age distribution for Nintendo spreads from five-year-olds to adults in their 40s. Whereas board games are designed for two or more players, computer games can be played alone or with a number of players.

Mr Goto believes Nintendo has potential for further growth, and that the current low share price – Y23,500 – is not justified. "It is definitely *too cheap at the Y20,000 level,* and should be around Y30,000."

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY FEBRUARY 15 1991								THURSDAY FEBRUARY 14 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990/91 High	1990/91 Low	Year ago (approx)
Australia (75)	130.81	+0.7	98.45	107.83	100.38	110.28	+0.4	6.22	129.92	97.24	106.52	99.03	109.79	158.31	112.74	144.37
Austria (19)	213.73	+4.4	160.85	176.18	164.01	163.74	+5.2	1.67	204.75	153.24	167.87	156.06	155.69	285.63	167.00	257.52
Belgium (60)	147.43	+0.5	110.95	121.51	113.13	110.34	+1.3	5.33	146.72	109.81	120.28	111.82	108.91	160.02	121.73	140.43
Canada (116)	138.89	+0.4	104.53	114.48	106.57	116.11	+0.4	3.46	138.36	103.55	113.43	105.44	115.66	153.61	121.24	140.45
Denmark (32)	263.56	+1.8	198.35	217.25	202.24	203.42	+2.7	1.48	258.88	193.75	212.25	197.31	198.14	277.62	217.74	252.77
Finland (21)	113.11	+4.1	85.13	93.24	86.80	85.02	+4.7	3.31	108.62	81.29	89.06	82.79	81.18	152.29	90.61	148.80
France (113)	145.46	+0.2	109.47	119.89	111.61	114.71	+0.9	3.60	145.10	108.59	118.95	110.58	113.69	168.85	121.85	147.93
Germany (88)	120.53	−0.3	90.71	99.36	92.49	92.49	+0.4	2.46	120.87	90.46	99.11	92.12	92.12	144.63	101.38	132.07
Hong Kong (48)	139.22	+0.0	104.78	114.76	106.84	139.23	+0.0	4.82	139.21	104.19	114.13	106.11	139.23	147.49	112.24	120.36
Ireland (16)	163.11	+0.5	122.76	134.45	125.17	127.33	+1.3	3.59	162.24	121.42	133.01	123.65	125.74	198.57	132.88	191.97
Italy (91)	85.79	+0.7	64.56	70.71	65.83	71.05	+1.3	3.56	85.16	63.74	69.82	64.91	70.12	109.26	72.05	96.68
Japan (453)	142.63	−0.7	107.34	117.57	109.47	117.57	−0.2	0.73	143.68	107.53	117.79	109.52	117.79	197.26	106.59	185.66
Malaysia (34)	221.69	+0.0	166.84	182.73	170.11	229.29	+0.0	3.28	221.77	165.98	181.81	169.02	229.29	250.69	182.96	243.75
Mexico (12)	603.36	+0.6	454.07	497.34	463.00	1954.96	+0.5	0.35	599.50	448.67	491.50	456.92	1945.08	613.96	324.53	374.12
Netherland (41)	143.86	+0.2	108.27	118.58	110.40	109.16	+0.9	4.92	143.56	107.44	117.70	109.42	108.14	149.03	125.70	138.80
New Zealand (15)	50.59	+0.7	38.07	41.70	38.82	44.33	+0.9	7.67	50.25	37.60	41.20	38.30	43.93	75.36	41.18	67.29
Norway (30)	213.01	−1.9	160.31	175.58	163.46	166.75	−1.1	1.65	217.24	162.59	178.11	165.58	168.66	276.79	182.24	241.98
Singapore (25)	184.05	−0.2	138.51	151.71	141.23	145.08	+0.0	2.86	184.38	137.99	151.16	140.52	145.08	209.24	147.24	195.68
South Africa (60)	190.35	−1.4	143.26	156.90	146.07	136.20	+0.8	3.99	193.15	144.56	158.35	147.21	135.10	251.39	151.50	209.05
Spain (41)	164.30	+0.4	123.65	135.43	126.08	114.64	+0.8	4.95	163.66	122.49	134.18	124.74	113.76	182.25	128.54	155.06
Sweden (27)	182.16	+1.6	137.09	150.16	139.79	148.92	+2.3	2.75	179.28	134.17	146.98	136.64	145.64	234.93	146.60	185.13
Switzerland (65)	99.85	+0.5	75.15	82.31	76.63	78.43	+1.3	2.63	99.40	74.39	81.50	75.77	77.43	109.77	82.17	97.31
United Kingdom (296)	181.45	−0.4	136.56	149.55	139.23	136.56	+0.1	5.14	182.19	136.35	149.36	138.85	136.35	182.19	139.87	160.39
USA (526)	149.35	+1.3	112.40	123.12	114.62	149.35	+1.3	3.30	147.51	110.40	120.94	112.43	147.51	149.38	119.06	134.62
Europe (940)	147.72	+0.0	111.17	121.76	113.36	112.63	+0.6	4.15	147.72	110.55	121.11	112.59	111.93	157.65	124.91	143.26
Nordic (110)	188.27	+1.3	141.69	155.19	144.48	143.60	+2.1	2.09	185.84	139.09	152.36	141.64	140.69	223.29	155.56	192.57
Pacific Basin (650)	141.72	−0.6	106.65	116.82	108.75	117.66	−0.2	1.06	142.64	106.75	116.95	108.72	117.85	192.75	107.82	181.65
Euro – Pacific (1590)	144.53	−0.4	108.77	119.12	110.90	116.37	+0.2	2.36	145.08	108.58	118.93	110.67	116.17	174.18	116.03	166.50
North America (642)	148.62	+1.2	111.85	122.52	114.07	147.13	+1.2	3.31	146.85	109.91	120.41	111.95	145.38	148.70	119.28	134.88
Europe Ex. UK (644)	127.08	+0.3	95.64	104.77	97.54	98.61	+1.0	3.40	126.69	94.82	103.89	96.58	97.65	145.62	106.85	131.51
Pacific Ex. Japan (197)	130.12	+0.3	97.93	107.28	99.86	114.71	+0.3	5.38	129.68	97.05	106.33	98.85	114.42	146.72	111.40	133.54
World Ex. US (1778)	145.06	−0.4	109.17	119.58	111.32	117.02	+0.2	2.41	145.59	108.96	119.37	110.97	116.81	173.77	117.12	166.14
World Ex. UK (2008)	141.87	+0.3	106.77	116.95	108.88	126.13	+0.6	2.42	141.49	105.89	116.00	107.85	125.37	162.00	115.37	153.25
World Ex. So. Af. (2244)	145.11	+0.2	109.21	119.62	111.36	127.08	+0.6	2.71	144.81	108.37	118.73	110.38	126.38	161.84	118.04	153.53
World Ex. Japan (1851)	148.25	+0.7	111.57	122.21	113.78	132.15	+0.9	3.72	147.27	110.22	120.75	112.26	130.93	151.59	124.31	139.00
The World Index (2304)	145.38	+0.2	109.41	119.84	111.57	127.14	+0.6	2.72	145.10	108.59	118.98	110.60	126.44	162.05	118.33	153.87

Latest prices were unavailable for this edition.